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MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005

The Business Plan and medium-term programme development

Note by the Director-General

Reports on further progress on implementing the Business Plan, in line with resolution GC.7/Res.1

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Introduction

1. This document is presented in two main parts. Part I contains a description of how the Business Plan has been implemented since 1997 as well as outstanding tasks. Part II describes the priorities for the medium term and should be considered in conjunction with the description of the service modules in the annex, as well as other reports issued to the governing bodies, in particular the annual reports for 1998, 1999 and 2000, and the report to the Conference at its eighth session on progress in the transformation of UNIDO (GC.8/10 and Corr.1 and 2).

I. IMPLEMENTATION OF THE BUSINESS PLAN

2. In December 1997, the General Conference convened its seventh session and adopted resolution GC.7/Res.1, in which the Member States endorsed the reform package entitled "Business Plan on the Future Role and Functions of UNIDO". For the past four years (1998-2001), this has been the basis for the organizational and programmatic transformation of UNIDO. The present note gives an account of progress in the transformation, and seeks to outline the priorities for the future, in particular for the medium term, 2002-2005.

3. The Business Plan was the product of an intensive process of consultations, compromise and consensus-building and was meant to provide an agreed framework and general guidance for re-launching the Organization. By its very nature, it contained guiding principles to determine the Organization's development in the medium to long term; there were also elements emanating from the contemporary political and economic realities that were relevant for the short term. Thus the need for further elaboration and refinement as well as reassessment was inherent in the Plan.

4. The Business Plan sought to focus UNIDO activities and redefine its programmatic functions and principles by identifying those areas in which the Organization should be engaged and those that should be discontinued. It also laid down guidelines for streamlining its structure and management.

5. The Plan grouped UNIDO activities into two areas of concentration:

(a) Strengthening of industrial capacities;

(b) Cleaner and sustainable industrial development.

6. While maintaining its universal character, and adhering to the principle of achieving equitable and sustainable industrial development, UNIDO was required to concentrate its activities:

(a) In the least developed countries (LDC's), in particular in Africa;

(b) On agro-industries;

(c) On support to small and medium enterprises (SMEs).

7. Emphasis was also to be given to the integration of women in industrial development. Activities were to cover UNIDO's dual role, i.e. its technical cooperation or operative function, and the global forum or normative function.

8. The Plan emphasized that UNIDO should provide its support primarily in comprehensive packages of integrated services and should further strengthen its capacity in this regard through interdisciplinary team-building.

9. An important prescription, interfacing with both programmatic and organizational aspects of UNIDO reform, related to the decentralization of activities to the field and creation of a strengthened field representation system through redeployment of resources and Professional staff and delegation of authority to the field. This was intended to make the Organization more demand-oriented, and to functional and programmatic coordination with other United Nations bodies, particularly in the field.

10. This political agreement contained a series of basic or minimum understandings to implement administrative reforms and changes in respect of UNIDO programmes.

11. In the administrative area, the Business Plan involved a reduction in the UNIDO budget of about 20 per cent, with the aim of bringing it into line with the new levels of contributions resulting from the withdrawal of substantial contributors from the Organization. At the same time, the number of divisions was reduced from six to three. Since personnel expenditures are a substantial item in the budget of the Organization, a cut by the said amount meant a proportional cut in staffing, requiring the approval of about $16 million by the General Conference for compensation payments. This, in turn, meant that, were additional contributions not obtained in order to avoid personnel reductions, as eventually was the case, the effective budget cut for the biennium 1998-1999 would have approached 30 per cent.

A. Administrative and financial reforms

12. All administrative and financial reforms requested by the Business Plan were implemented between December 1997 and March 1998.

13. Staffing was reduced by around 100 employees through a system of voluntary separation, at an approximate cost of $10 million. The figure required to arrive at the 20 per cent reduction of staff (some 20 additional people) was achieved by natural attrition due to retirements and resignations. In this way, some $6 million was saved as compared to the amount approved by the General Conference. These savings made it possible to re-establish the Working Capital Fund in February 1998 and to finish the year without any financial shocks. The new UNIDO structure with only three divisions was announced in the same month.

14. At the same time, a new financial management system was implemented and a new policy for the renewal of longer-term contracts was introduced at the end of 1998.

15. As a *result* of these reforms, UNIDO re-established its financial viability in a robust fashion and has not faced any cash problems, even in difficult years like the last two.

16. Another substantial *result* of the reforms is the feeling of stability enjoyed by the Organization's staff. For the first time in many years, UNIDO has established a policy of issuing three-year contracts with renewals for similar periods.

B. Programme reforms

17. Between March and September 1998, UNIDO began to concentrate its areas of specialization in accordance with the criteria contained in the Business Plan. This process was highly interactive and benefited from a very proactive role on the part of UNIDO staff who participated in numerous seminars and workshops. At the same time, conferences and events were organized to facilitate participation by member countries of the Organization, the private sector (corporations such as Mercedes-Benz or business associations such as the Spanish Confederation of Business Organizations (CEOE)), and the academic sector (Rockslide, Westminster, Oxford or Columbia).

18. As a result of this, UNIDO became the first agency of the United Nations system to identify and describe clearly and accurately its technical cooperation activities in service modules, all 16 of which were fully in line with the priorities set out in the Business Plan.

19. A new system of formulating technical cooperation was developed between September 1998 and December 1999 in accordance with the provisions of the Business Plan. Based on the 16 service modules, and together with the countries receiving technical cooperation, UNIDO formulated a new portfolio of "Integrated Programmes" in order to satisfy the requirement of the Business Plan to develop demand-oriented "integrated packages of services" in place of isolated projects.

20. As a *result* of this, between January 1999 and the end of September 2001, UNIDO approved 44 integrated programmes with an estimated cost (current planning figure) of $257 million (including support costs). By the end of September 2001 UNIDO had mobilized a total of $92 million for the integrated programmes and this is likely to rise to $100 million by the end of 2001.

C. Overall results

21. During the biennium 2000-2001, the Organization has been dedicated to consolidating and stabilizing the changes introduced in previous years and to refining their potential, based on the experience accumulated during their implementation. Thus, for instance, the budget for the biennium 2002-2003 has been drawn up based on only 8 service modules instead of 16.

22. The reforms have reinforced the confidence of UNIDO member countries in the possibilities and capabilities of the Organization. There are no longer any countries evaluating whether or not they will remain in the Organization. On the contrary, at present new countries are evaluating whether to join in the Organization, such as Monaco, and others which have decided to do so and have joined, as is the case with South Africa, which became the 169th Member State of UNIDO in October 2000.

23. Furthermore, various donor countries increased or in some cases started their voluntary contributions for technical cooperation activities. The United Kingdom, Denmark, Norway, Austria, Italy, Japan, Spain and the European Commission are among the leaders in this process.

24. The region that has benefited most from this process, in accordance with the priority laid down by the Business Plan, is Africa. Indeed, during the 1994-1997 period, of all funds approved for UNIDO activities, an average 19 per cent were approved for Africa excluding Arab States, and 31 per cent for the region as a whole. However, under the new integrated programmes the composition changed sharply. Of the total funds allocated to these programmes, 54 per cent went to sub-Saharan Africa and 74 per cent were allocated to the African region as a whole.

D. Tasks outstanding

25. There are still some tasks outstanding both with regard to administrative and financial reform as well as programmatic reform, including the issue of decentralization.

26. In the areas of administration and finance, computerization of activities still remains to be

completed, a task which started this year with the implementation of a modern commercial software. It is likewise necessary to strengthen the control systems to continue to increase the transparency of administrative and financial management.

27. Recognizing that the human resource management function plays a central role in the programmatic success of the Organization, UNIDO has promulgated a comprehensive Human Resource Management Framework that is being implemented in a phased approach.

28. The first phase focuses on providing employment stability. It provides streamlined guidelines for the engagement of staff through recruitment, selection and placement, and includes the introduction of appointments of limited duration that are non-career appointments, for tasks that are clearly finite in time and nature under the 300 series of Staff Rules.

29. The second phase of the framework is currently being developed and addresses career growth. It includes the development and implementation of a solid performance appraisal system; recognition of meritorious performance and the development of promotion mechanisms, including, inter alia, promotion through vacancy announcement competition, job classification upgrading, merit promotion and horizontal growth recognition. The framework also concentrates on promoting an environment of continuous learning, high performance and managerial excellence.

30. There are, in essence, four outstanding tasks concerning programmes.

31. The first of these is to increase integration of technical cooperation activities at the implementation phase. Integrated Programmes have managed to integrate knowledge available within the Organization in an acceptable manner during the formulation phase of the technical cooperation programmes. However, such integration is still not being consistently achieved when the programmes are implemented in the field. To this end, different strategies are being attempted, e.g. the application of techniques of cause/effect analysis.

32. The second task outstanding is to complete the "effective decentralization" of UNIDO (a task which was left incomplete due to lack of financial resources). This task correlates intimately with the previous one, since greater decentralization will allow better coordination of the implementation tasks at field level.

33. These two outstanding tasks express the need for the package of transformations implemented at headquarters to be applied at the field level.

34. The third task is to strengthen the agro-industrial sector with increased staffing and improved programmes. This is essential in order to increase our efficiency and the effectiveness of our programmes, especially in the poorest countries.

35. Finally, with regard to programmes, the need to strengthen the presence of UNIDO and its capability for providing services in various regions of the world should be pointed out, in addition to—and not at the expense of—what is being done in Africa. It is very important to strengthen membership of the Organization among middle-income countries, by improving the visibility of UNIDO activities to increase the interest of those countries in the Organization.

II. PRIORITIES FOR THE MEDIUM TERM

36. A business plan by its very nature is a dynamic document, tailor-made for particular circumstances and a particular time frame. To maintain its value, it must be revisited and fine-tuned at intervals so as to ascertain areas to be retained and those requiring adjustment in order to meet new circumstances.

37. In defining the medium-term priorities for the period 2002-2005, the following has been taken into account:

- The Business Plan as defined in 1997 and the experience gained with its implementation during the past four years;
- New international development targets agreed in the Millennium Declaration (2000), the related "Roadmap" and the New Africa Initiative, now renamed the New Partnership for African Development (NEPAD) (2001);
- New and existing international conventions and agreements related to areas in which UNIDO has a comparative advantage;
- International conferences covering subjects of importance for UNIDO, including LDC III (May 2001), as well as preparatory work for forthcoming conferences including Financing for Development (March 2002), and "Rio + 10" (September 2002);
- Actual demand for services from Member States as experienced recently.

38. Also, UNIDO's service modules have been redesigned, focusing on the main international targets and Millennium Declaration goals. During the period 2002-2005, UNIDO will pursue its medium-term priorities through these eight new service modules (see annex). Modalities for the delivery of UNIDO services will continue to be through integrated programmes, country service frameworks and stand-alone projects.

39. An increasing part of UNIDO's activities is covered by, or developed in direct response to, international conventions and agreements. As these represent the explicit agreement of the international community on these subjects, and usually include implementation and funding mechanisms, UNIDO's response is presented separately. The remaining activities are presented under "Strengthening of Industrial Capacities", "Cleaner and Sustainable Industrial Development" and "Global Forum Activities".

40. The following section is intended to highlight the future direction that UNIDO will take on key areas.

A. International conventions and agreements

41. The **Montreal Protocol**, defined and agreed by the global community in the late 1980s and early 1990s, aims at the phasing out of ozone depleting substances. By July 2002, UNIDO will have been serving the Montreal Protocol as one of the implementing agencies of the related Multilateral Fund for a decade. With over 750 investment, non-investment and demonstration projects in 60 countries and all regions, that will eliminate around 30,600 ODP tons of ozone-depleting substances, and a total budget including support cost of $272 million, this constitutes the largest programme of UNIDO. This activity will continue throughout this decade to assist developing countries in securing their compliance with the international commitments in the gradual phase-out of regulated ozone depleting substances by the year 2010.

42. The **Stockholm Convention on Persistent Organic Pollutants (POPs)**, adopted in May 2001, obliges the parties to the Convention to take measures to reduce or eliminate emissions of POPs and their by-products, and defines a framework for doing so.

43. As UNIDO is one of the very few international organizations with immediately relevant experience and expertise it has responded rapidly, with strong support of the Global Environment Facility (GEF). In close cooperation with over 50 countries that have requested UNIDO assistance with enabling activities, projects are being developed and proposals for activities in over 20 countries have already been submitted to GEF for funding. The first approvals have been received and implementation has started. UNIDO technical capabilities will also be required to assist countries in enacting their national implementation plans.

44. Specific activities on which UNIDO will focus include measures to reduce or eliminate production of POPs (e.g. pesticides), measures to reduce or eliminate releases in other production processes where POPs may be by-products and measures to reduce or eliminate releases from stockpiles and wastes (e.g. destruction of obsolete pesticides). For the latter, UNIDO is already evaluating techniques for the treatment and disposal of stockpiles of POPs. An overall strategy has been formulated and cooperation with some donor Governments is envisaged. It is anticipated that this activity, based on existing expertise that now received a new emphasis and recognition, will grow rapidly, funded to a large extent by GEF.

45. The operational details for reducing greenhouse gas (GHG) emissions under the 1997 **Kyoto Protocol** were agreed upon at Marrakech, Morocco, in November 2001, paving the way for timely entry into force of the Protocol. UNIDO has been taking an active role in assisting the Parties to mobilize and strengthen national capacities for participating in the implementation of the Climate Change Convention and the Protocol through the Kyoto Protocol Mechanism, particularly the Clean Development Mechanisms and Joint Implementation (JI). In particular, UNIDO carried out capacity-building projects in Africa and Asia addressing the assessment of technological opportunities to reduce GHGs and capacity-building needs in industry. In order to reduce transaction costs in CDM/JI project development, particularly for small-scale projects in industry, UNIDO carried out work in developing methodological guidelines for the so-called "baseline studies" to help project developers in developing countries and economies in transition to ensure that CDM/JI projects in their countries deliver real, measurable and long-term GHG emissions reduction.

46. The **Cartagena Protocol** of the **Convention on Biological Diversity (CBD)** is a legally binding instrument regulating the transboundary movement of living modified organisms, often also described as genetically modified organisms. It envisages, inter alia, the establishment of a Biosafety Clearing House Mechanism (BCHM) to serve as a depository of mandatory information relevant to the implementation of the Protocol. UNIDO's Biosafety Information Network and Advisory Service (BINAS) are to serve as an integral part of pilot phase of BCHM through a memorandum of understanding signed with the secretariat of CBD. Furthermore, in view of its in-house technical capability, UNIDO has been requested by the GEF Secretariat to assist in the implementation of four national biosafety capacity-building programmes (Bulgaria, Colombia, Malaysia, Mexico).

47. The **"Technical Barriers to Trade (TBT)"** and the **"Sanitary and Phyto-Sanitary Standards"** agreements negotiated as part of the Uruguay round of international trade negotiations, while realizing important progress also imposes major obligations on developing countries and economies in transition. This was recognized in the TBT agreement, which in Article 12.7 specifically states: "Members shall ... provide technical assistance to developing country Members to ensure that the preparation and application

of technical regulations, standards and conformity assessment procedures do not create unnecessary obstacles to the expansion and diversification of exports from developing country Members".

48. Based on the already well-established and, within the United Nations system unique, strengths in quality, standardization, metrology, certification and accreditation, UNIDO has in the last year launched a major new initiative: "Enabling developing countries to access markets".

49. The basis for UNIDO's response lies in the analysis that while major progress has been made with liberalization of trade, and tariffs and quota for imports from developing countries have been reduced or eliminated by several major importers, this has not until now resulted in rapid increases in exports from developing countries. In UNIDO's analysis there are two main reasons for this. Firstly, many developing countries do not have the productive capacities to rapidly respond to these opportunities; and, secondly, developing countries do not have the ability to ensure or to prove that exportable products comply with international standards and requirements.

50. The strengthening of productive capacities is being addressed by UNIDO, mainly through a number of integrated programmes that aim at strengthening the productive basis of developing countries, primarily focusing on agro-related activities, as presented later.

51. To address the second, much more focused issue, countries and their producers need a rather complex, but not well-known, physical and institutional capacity to be able to ensure that exportable products satisfy the technical requirements of the global trading system. Few developing countries have this institutional infrastructure.

52. The new initiative of UNIDO consists of an integrated approach to assist countries or regional groups in establishing these capacities. Building on the existing strengths of UNIDO, a number of activities are under way. These include a programme already under implementation, funded by the European Union, covering the core requirements of the eight member countries of the West African Economic and Monetary Union (UEMOA). A similar regional programme with the Southern African Development Community (SADC) countries is being developed, a programme is being drawn up for the Central American region in close cooperation with ITC, and other needs analysis activities are being carried out.

53. As this subject has become very prominent in international discussions, UNIDO presented the initiative to LDC III and has also contributed this to the preparatory work for the Financing for Development Conference scheduled for March 2002 at Monterrey, Mexico. The initiative has been well received.

54. The September 2001 meeting of the ACC High-Level Committee on Programmes also discussed the initiative and encouraged UNIDO to pursue bilateral consultations with United Nations organizations and WTO to solicit their views on the scope and areas of their potential collaboration. Development and implementation of the programmes, and cooperation with these partners will be vigorously pursued during the coming years. Talks and actual cooperation with ITC, UNCTAD and WTO have already taken place with a view to complementing UNIDO's strengths with those of other organizations. It is expected that this initiative, which is a very innovative approach, and related existing UNIDO strengths will expand rapidly in response to much higher priority given to the issue by developing countries and the international community as a whole.

B. Strengthening of industrial capacities

55. The strategy described in this section attempts to address the modern interlinkages between investment, technology and trade. Nowadays companies trade to invest and invest to trade. Intra-firm trade accounts for more than 50 per cent of world trade. The level of technology embodied determines the potential of developing countries to use industry in their fight against poverty and to connect their domestic economies with the global economy.

Investment

56. Developing countries and countries with economies in transition are risking marginalization from the global economy by failing to gain access to sources of technology, to investment and to markets. Foreign direct investment and international reallocation of industrial resources are indispensable elements for the economic transformation these countries require to achieve sustainable economic growth and to eradicate poverty.

57. Within the scope of the UNIDO investment programme, increased coordination will be pursued with UNCTAD to assist Governments and counterpart institutions in improving the investment climate and the legal enabling environment. Furthermore, UNIDO will seek to pursue the transformation of national investment promotion agencies as one-stop shops for investment promotion and business alliances.

58. Doubtless not all types of investment (sectoral, infrastructural, etc.) require or benefit equally from the type of promotion that UNIDO is capable of carrying out. As a result UNIDO will exercise greater selectivity and focus in the type of investment projects and sectors

to be promoted with a view to improving the cost-effectiveness of its programmes.

59. UNIDO will continue to conduct investment promotion forums. Experience has shown that there is a need for more analytical preparatory work and to move away from a general to a sector-specific approach.

60. Greater interaction in this area with the private sector could likewise increase the impact of our activities. A pilot trial here, targeting SMEs, is being conducted in West Africa in a project involving private investors in equity and UNIDO in order to improve and increase the ability to capture flows of private investment.

61. Finally, it will be necessary in this regard to strengthen interregional cooperation significantly. A good example of this is the project to promote Asian investment in Africa through a specially established centre based in Malaysia, funded by Japan within the implementation framework of the Second Tokyo International Conference of African Development (TICAD II). It would be important to further evaluate the best possibilities for cooperation between developing regions.

Technology

62. The global economy has become increasingly knowledge and technology-driven, with a small number of industrialized countries providing most of the world's technology innovation. The problem of development and technology transfer is however very broad, its extent being such that it would be difficult for any multilateral organization to embrace all aspects. This is most evident under conditions of financial constraint, as is the case with UNIDO.

63. For this reason, UNIDO will concentrate its efforts regarding technological promotion basically on three areas or types of technology: agro-related technology (see paragraph 72), new information and communication technologies (and their application to enable an increase in productivity) and biotechnology.

64. Concentration of efforts to promote transfer and adoption of new information technologies to the maximum extent can make a decisive contribution to ensuring the economies and societies of developing countries are connected to the global society. In this field UNIDO is developing initiatives that need to be consolidated and expanded, such as the recent partnership agreement with the private sector (Ericsson), reached in order to facilitate and ensure the use of new information and communication technologies in developing countries, the testing of which will commence in the countries of North Africa.

65. Biotechnology has been listed in the industrialized world as a pervasive cutting-edge technology with profit potential across sectors and as a strategic component of industrial competitiveness. The progress of biotechnology and regulations relating to new developments as well as public perceptions on the subject are topics of great concern to all developing countries given their far reaching socio-economic implications and those relating to the system of intellectual property rights. Because biotechnology applications in the food and agricultural industry are those which give rise to better developmental prospects, UNIDO is also directing its activity towards biotechnology applications in the food and agricultural industry and towards three basic aspects within this sector: risk assessment and safety assurance, access to proprietary technology and targeted research in priority areas.

66. At the policy level, emphasis will be given to technology foresight activities, based on the lessons learned. Experience gained in the first initiative launched in Latin America in 1999 suggested that technology foresight activities would gain from being more sector-specific. Therefore the regional foresight initiative in Central and Eastern Europe and NIS countries aims to address common issues related to regional development with special focus on biotechnology (food and medicine applications) and environment technologies for water protection. UNIDO is currently undertaking an assessment on a proposal for the Arab and Mediterranean region.

67. At the institutional level UNIDO will promote the creation of high-tech parks as a mechanism to attract successful and innovative technology-oriented enterprises and stimulate partnerships with public, private industry, universities and R&D institutions. Furthermore UNIDO intends to make its international technology centres more business-oriented by networking them with industries and with UNIDO Investment and Technology Promotion Offices.

Small business development

68. UNIDO will continue to place special emphasis on support programmes aimed at the promotion of SMEs in all developing regions. These programmes aim at strengthening national and local capacities for the development and implementation of effective SME policies and of a coherent set of specialized support institutions and programmes to stimulate and promote SME development, such as business centres, local business systems based on SME networks, clusters and private sector partnerships. Special emphasis is placed on rural entrepreneurship development programmes in support of national poverty reduction strategies through promoting rural and micro enterprises and improving the policy environment at local level. Emphasis is also

placed on addressing the gender gap through promotion and development of women's entrepreneurship.

69. While continuing those well-established support programmes, a number of new initiatives will be pursued on a priority basis within the next years. It is recognized that policy work is important to achieve sustainability and effectiveness of technical cooperation in support of SMEs and to ensure that such programmes are embedded in the culture and national economic and social goals. UNIDO will therefore develop a comprehensive conceptual framework for the formulation of entrepreneurship policies in developing countries and transition economies. The policy framework will reflect broader issues of developing and promoting enterprise culture and stakeholder environment. Policy guidelines and best practices, possibly a "tool box" of appropriate policy measures, will provide support to national and local governments.

70. UNIDO intends to further deepen its operational relationships with the global business community. The programme will support SMEs in meeting the demanding performance requirements for their sustainable integration into global value chains governed by transnational corporations. Seen in the broader perspective of the "Global Compact" launched by the Secretary-General of the United Nations, UNIDO's practical technical cooperation experience in this field will add value to ongoing debate on various approaches to corporate social responsibility. As mentioned in paragraph 60, UNIDO is also working with the private sector in increasing the availability of equity finance for SMEs.

71. Action-oriented research of UNIDO will concentrate on the contribution of cluster and networking approaches to the goal of poverty reduction. It is intended to also develop a global training programme through which UNIDO's tools and methodologies and best practice guidelines in this field can be disseminated.

C. Cleaner and sustainable industrial development

Agro-industries

72. Agro-industries constitute the central sectoral priority of UNIDO's Business Plan. The transfer of technologies will constitute the main driver of the programme (in accordance with the focus mentioned in para. 63). Within the framework of UNIDO's market access initiative, subsectoral programmes will focus on adding value to agricultural produce, on assisting institutions in supporting productive enterprises in Africa and LDCs, on linking industry to agriculture, and on assisting producers to meet market and environmental requirements.

73. The food programme will focus on the areas of food product and process improvement, preservation, safety, storage and by-product utilization. Successful market access programmes undertaken by UNIDO, such as the programme in fish safety and quality in Uganda and United Republic of Tanzania, will be replicated. In the framework of UNIDO's market access initiative (see para. 48), packaging will be a new priority area.

74. The leather programme will increasingly focus on technical support for market access, environmental issues, eco-labelling and safety at work. In addition, successful programmes such as the Training and Production Centre for the Shoe Industry at Thika, Kenya, will be replicated.

75. The textile programme will focus on helping developing countries to adjust to the challenges of the Multi-Fibre Agreement and help countries in sub-Saharan Africa to profit from the Africa Growth and Opportunity Act. Successful programmes such as the tissuthèque in West Africa (garments, patterns and fabrics library) will be replicated.

76. In the wood programme future initiatives will focus on promoting the industrial processing of bamboo and other non-wood forest products.

Cleaner production

77. UNIDO will continue the joint UNIDO/UNEP National Cleaner Production Centre (NCPC) programme, which has proved highly successful over the past seven years. Experience has shown that while the existing 21 NCPCs have been very good at persuading enterprises to adopt cleaner production measures that require little or no investment on their part, they have been less successful in bringing about large-scale adoption of cleaner (hard) technologies. In light of this, UNIDO will work to make existing and future centres more sector-specific or at the very least have strong strategic alliances with institutions in their countries that do have the necessary sector-specific know-how. Initiatives in this direction have already started with a centre in Moscow specifically for the oil and gas industry.

78. In many cases cleaner production alone cannot reduce the environmental impacts of enterprises to acceptable levels. Therefore future programmes will also go beyond cleaner production to include end-of-pipe solutions that will provide more complete solutions to certain developing countries' environmental problems.

79. It has become clear that the kind of cleaner production activities that a country can absorb depends very much on that country's level of industrialization. Six different cleaner production modules will therefore

be designed and appropriately combined to match the level of industrialization of the host country: (a) awareness-raising; (b) training; (c) demonstration projects; (d) policy advice; (e) insertion of cleaner production into other related tools; and (f) cleaner technology transfer.

Industrial waste and pollution control

80. UNIDO has been leading the efforts of the United Nations system in the past in the area of solid waste management, through the implementation of over 40 different projects of a regional nature, such as the joint programme with UNDP in Africa, and addressing individual countries, such as the programme now under implementation in China. The role of UNIDO has been acknowledged and endorsed by the Environment Management Group, the system-wide coordinating group for environment-related activities established by the General Assembly in 1998. UNIDO will continue these activities in the future in complete coordination with other relevant United Nations programmes and specialized agencies, including UNEP, WHO, FAO, UNDP and the World Bank.

81. Special attention will be given by UNIDO to increase the number of countries assisted by the programme for the removal of barriers to the abatement of global mercury pollution from artisanal gold mining.

Energy

82. Energy is a key global issue on the international agenda for sustainable development and UNIDO's competence and potential in the energy sector has been recognized by the United Nations system. In May 2001, UNIDO was given the task of lead agency of the Thematic Energy Session of LDC III, which recommended that UNIDO undertake a wide range of actions over the next decade prior to the next conference.

83. UNIDO will focus its energy programme on assisting countries in (a) the formulation of energy policies to reduce green house gases and therefore climate change; (b) increasing energy efficiency on both the supply and demand side; and (c) promoting the application of renewable (alternative) energies.

D. Global forum activities

84. The Business Plan recognized the global forum function as a crucial component of UNIDO's mandate to strengthen industrial capacities in developing countries and countries with economies in transition. Specific global forum activities are described under the respective activities in the programme and budgets, 2002-2003. The overall orientation of the global forum will be as follows:

- They will continue to be used as an important tool to increase common understanding on the contribution of industry to fight poverty and to connect the national economy to the global economy. This improved understanding of the modern role of industry in the global economy should support UNIDO's efforts in the field of funds mobilization;

- It will be increasingly output-oriented in the sense that global forum activities should provide an analytical foundation for, as well as define and focus, UNIDO's technical cooperation interventions;

- It should also help UNIDO to identify and refine the global public goods to be supplied by the Organization. UNIDO will build on the preliminary efforts that have been made in that regard in order to further develop and refine specific industry-related global public goods.

III. OTHER CONSIDERATIONS

85. The Business Plan prescribed that activities in non-agro-based industries should be discontinued unless "related primarily to environmental issues or to agro-based industries". The experience is that UNIDO sometimes needs to support the promotion of the so-called non-agro-based industries from the point of view of investment and technology promotion, small and micro-enterprise development, utilization of agricultural and industrial waste, and employment creation in low-income countries. While the basic thrust not to promote such industries per se is recognized, the list of exceptions must also include these factors.

86. The transformation has changed the internal working methods in UNIDO and has also created considerable responsibilities for programme management and coordination. This resulted in particular from the launching and implementation of integrated programmes through teamwork. Therefore, as mandated by the UNIDO Constitution (Article 11.3), and within the parameters set by the approved programme and budgets, it may be necessary for the Director-General to reorganize the work of the Organization and of the staff in order to align these to the new and emerging requirements.

87. It is evident that the revised medium-term priorities as presented above will require considerable extrabudgetary resources for successful implementation. In respect of the activities in chapter II.A (international conventions and protocols), the Multilateral Fund for the Montreal Protocol and the Global Environment Facility are expected to provide the main funding for the first three groups of activities (paras. 41-46). For support in response to trade-related agreements (paras. 47-54), funding is expected from donor countries

and the European Union, in view of the increasing international recognition of the urgency involved. For the other priorities presented, the main source of funding will continue to be donor countries, although the Organization will continue its efforts to diversify sources of funding.

IV. ACTION REQUIRED OF THE CONFERENCE

88. The Conference may wish to consider the information provided in the present document and provide appropriate guidance.

Annex

TECHNICAL ASSISTANCE PROVIDED (BY SERVICE MODULE)

Service modules

Former (1998-2001)	New (2002-2005)
1. Industrial policy formulation and implementation	1. Industrial governance and statistics
2. Statistics and information networks	2. Investment and technology promotion
3. Metrology, standardization, certification and accreditation	3. Quality and productivity
4. Continuous improvement and quality management	4. Small business development
5. Investment and technology promotion	5. Agro-industries
6. Environmental policy framework	6. Industrial energy and Kyoto Protocol
7. Climate Convention and Kyoto Protocol	7. Montreal Protocol
8. Energy efficiency	8. Environment management
9. Renewable energy development	
10. Cleaner production	
11. Pollution control and waste management	
12. Montreal Protocol	
13. SME policy framework	
14. Policy for women's entrepreneurship development	
15. Entrepreneurship development	
16. Upgrading agro-industries and related technical skills	

For ease of reference, relevant text from the programme and budget proposals, 2002-2003 (IDB.24/3) for each of the eight service modules is reproduced on the following pages.

INDUSTRIAL GOVERNANCE AND STATISTICS (Programme C.1)

Context

Inadequate governance inhibits the growth potential of domestic industries. At the same time, liberalization, globalization and rapid technological change constantly alter the competitive environment in which firms operate. Governments, therefore, must adapt their role to assist domestic enterprises to compete in the international arena. Institutions and industries of developing countries typically operate in a situation of incomplete or imperfect information and rarely possess the knowledge, skills and organizational capacities necessary to formulate appropriate industrial strategies, policies and programmes.

Services provided and expected outputs

01: Policy advice:

(a) Support policy design, implementation and monitoring;

(b) Assist the public and private sectors to draw sectoral competitiveness profiles. Diagnostic surveys are conducted using tested methods such as UNIDO's "Made in Country X" to identify strengths and weaknesses, opportunities and threats;

(c) Assist in the establishment of permanent public-private partnerships at country or local level to enable stakeholders to share strategic information, design joint strategies and formulate consistent policies and programmes. Tools such as a game-theory framework developed by UNIDO are used by this service;

(d) Help streamline and improve policy processes, while reflecting the interaction of several stakeholders with distinct and diverse objectives. Advice on faster and simpler procedures consistent with the objectives and strategies of all stakeholders is provided;

(e) Advise Governments in enforcing competition policies through appropriate reforms of the regulatory environment. This service is based on experience gained from the constant monitoring of successful policy experiences worldwide;

(f) Develop national capacities to monitor manufacturing performance and track the evolution of the main determinants of industrial growth from a sector- or economy-wide perspective by relying on worldwide databases such as the "Scoreboard of Industrial Performance and Capabilities", and comparative analyses available at the UNIDO Knowledge Centre (see paragraph C.9 01 (c)).

02: Organizing national and regional exchange platforms:

(a) Promote and support a network of dynamic locations in industrialized and developing countries to facilitate exchange of information and experience, and cooperation in local development strategies and initiatives;

(b) Promote cooperation among groups of countries faced with similar development challenges by organizing regional dialogue on policy issues through seminars and networking of regional research institutions.

Global forum functions

01: Industrial governance:

(a) Manage a dynamic Knowledge Centre on Industrial Strategies, which will provide information to and facilitate exchange of experiences between public and private stakeholders involved in the formulation, implementation and monitoring of industrial strategies, policies and programmes. The Knowledge Centre will be supported by a network of research centres of developing and industrialized countries, which will undertake policy- and action-oriented research issues related to the process of industrialization under the new conditions of globalization and technological innovation. This Knowledge Centre will both feed from and support related technical cooperation services; it will serve as the source for regular publications on industrial development issues of global relevance;

(b) Publish an annual World Industrial Development Report. This flagship publication provides information and analysis to policy makers, business leaders and institutions to assist them to better understand the process of innovation and learning in developing countries and the challenges and opportunities of globalization and new technologies. It will provide information of relevance to the formulation of strategies, policies and programmes to support innovation and learning, as well as on the organization of appropriate support systems to promote entrepreneurship and mobilize information, knowledge, skills and business partners;

(c) Develop, maintain and publish a "Scoreboard of Industrial Performance and Capabilities", which will monitor the main determinants of manufacturing progress in a sample of more than 90 countries. The Scoreboard will allow for cross-country benchmarking of industrial development patterns.

02: Issue various publications such as:

(a) Surveys of global value chains;

(b) Country surveys of industrial competitiveness;

(c) Industrial policy briefs.

03: Compilation and continuous improvement of industrial statistics:

(a) Industrial statistics collection, preparation and presentation: Collection includes contacting the sources—180 national statistical offices, but also other national and international sources; providing media and routines adapted to the reporting capability of the source; providing feedback to the sources with queries concerning dubious data or services such as pre-filled questionnaires, amended data, reference data where reports of respondents are related to those of other respondents, projections and metadata. Data preparation includes data entry, data editing, data supplementing, imputing missing observations and projections. Data presentation includes tabulations, construction of indicators, design of statistical reports as well as the systematic descriptions of statistical data and the processes behind them;

(b) Promotion of international recommendations: This includes contributing, through papers and participation in international meetings, to the dissemination and application of the recommendations made to world users and producers of data by the Statistical Commission in matters relevant to industrial statistics;

(c) Data-acquisition support: It includes guiding users in search of data or indicators that could be relevant in describing or treating their problem. It includes customized face-to-face help functions as well as off-the-shelf metadata needed to support a data search starting from vaguely expressed information needs;

(d) Output dissemination: This includes the dissemination to all users of the UNIDO INDSTAT databases. The resulting databases offer a unique source of information used by hundreds of private subscribers and international organizations worldwide. Perhaps the most distinctive characteristic of this information is that it is established at the level of industrial branches and, in some instances, sub-branches;

(e) Statistical research and development: It includes not only the methodological activities to improve the data and to maintain the databases, but also research and publications based on the first-hand data available to UNIDO;

(f) Participation in international statistical surveys: UNIDO survey specialists join international surveys to introduce new methods to collect and process industrial statistics. The data collected in the field are inserted in the UNIDO databases for further analysis and dissemination.

INVESTMENT AND TECHNOLOGY PROMOTION (Programme C.2)

Context

The global economy has become knowledge- and technology-driven, but while innovation and rapid technological changes are the reasons for unprecedented prosperity and growth in industrialized countries, many developing countries and countries with economies in transition are risking marginalization by being trapped in a technology divide and an investment gap. Foreign direct investment and acquisition of technology are indispensable elements for the economic transformation these countries require to achieve sustainable economic growth and to eradicate poverty. Although SMEs in developing countries and countries with economies in transition are considered to be an engine of economic growth, they face enormous difficulties in attracting investors and accessing technology. Barriers include the lack of effective investment and technology promotion policies, inappropriate legal and regulatory frameworks, inadequate capabilities of investment promotion and technology support institutions, and the lack of access to potential investors and sources of new technology.

Services provided and expected outputs

During the biennium, the Programme will focus on the following services and outputs:

01: Enhancement of national policies, strategies and regulatory frameworks for investment and technology promotion:

(a) Assist Governments to design or enhance policies, strategies and instruments for investment and technology promotion within the new economic context as well as strengthen related legal and regulatory frameworks;

(b) Assist Governments with the development or enhancement of technology foresight programmes to define future orientation of technology programmes in accordance with rapid technological change.

02: Building institutional capabilities in investment and technology promotion:

(a) Establish or strengthen national investment and technology promotion institutions and upgrade their

capacities in the identification, formulation, appraisal and promotion of investment and technology projects and technology transfer negotiations;

(b) Provide opportunities for staff of national investment- and technology-related institutions to upgrade their skills through on-the-job advanced training in the ITPO under the Delegates Programme;

(c) Establish or strengthen international and national technology centres to enhance North-South and South-South technology flows in order to achieve innovation results; to bring advanced and new appropriate technologies to the marketplace; to facilitate technology sourcing, transfer and acquisition; and to assist in managing technological change;

(d) Assist public- and private-sector institutions to establish or strengthen national subcontracting partnership exchanges (SPXs);

(e) Undertake training programmes in regional and national financial institutions in developing countries and economies in transition in contemporary investment promotion techniques, UNIDO's on-line promotional tools and project financial appraisal methodologies;

(f) Assist Governments in the formulation, packaging and promotion of "private financing of industrial infrastructure" projects.

03: Promotion of business alliances:

(a) Support national investment- and technology-related institutions in their efforts to develop business alliances with foreign partners by providing access to potential investors and technology suppliers;

(b) Facilitate completion of investment and technology projects by disseminating screened and appraised project proposals among financial institutions interested in seeking direct investment opportunities in developing countries and economies in transition.

Global forum functions

(a) Monitor technological developments and trends and examine the underlying driving forces: On this basis, develop guidelines and methodologies for technology foresight programmes as a decision-making tool for technology policy and long-term industrial development;

(b) Offer an institutionalized IT platform for on-line assistance: Promotion of investment and technology; sharing and dissemination of knowledge; strengthening the capacities of investment promotion agencies, technology centres, SPXs and other members of the "UNIDO Exchange" community;

(c) Organize regular meetings, workshops and seminars for national counterpart institutions, representatives of sister organizations (such as Foreign Investment Advisory Service (FIAS), Multilateral Investment Guarantee Agency (MIGA) and UNCTAD) and a standing advisory panel of representatives from the private sector to facilitate follow-up and to update UNIDO methodologies;

(d) Develop, update and publish manuals, guidelines and training modules as well as on-line services for investment promotion, technology management and technology transfer;

(e) Develop and maintain new advanced versions of UNIDO's COMFAR financial project appraisal software system to meet new information technology requirements;

(f) Maintain a global outsourcing and suppliers network and improve its efficiency by application of new "Outsourcing 2000" software.

QUALITY AND PRODUCTIVITY (Programme C.3)

Context

International economic exchanges have grown exponentially over recent years and have become a major source of economic growth and social development. Enterprises in developing countries are more and more excluded from the new production and trade patterns. The lack of quality and productivity infrastructure, services and related skills prevents the enterprises from accessing global markets and from integrating into international production and supply chains.

To survive in a competitive global production and trade environment, enterprises have to offer competitive, safe, reliable and cost-effective products. Enterprises have to increase their productivity and competitiveness to increase manufacturing value added, to maintain or increase employment and to increase their export and domestic market shares, while better protecting the environment. Industrial enterprises are increasingly aware of the need to improve product quality and productivity; however, they typically do not have the knowledge and skills to develop and implement appropriate quality management system solutions.

Developing countries also need to assist their industries and concerned government institutions to overcome or eliminate unnecessary technical barriers to trade caused by disparities in standards, metrology and conformity assessment practices between different trading partners.

The requires mutually developed and recognized systems of metrology, standardization, testing and quality (MSTQ) that enhance market transparency for manufacturers and purchasers and perform important protective functions for consumers and employees. MSTQ techniques and methodologies could also be used for the establishment of an internationally recognized measuring and monitoring system to qualify and quantify mineral and agricultural exports before they are shipped to ensure revenues and preserve the natural resource base.

Services provided and expected outputs

01: Strengthen the legal and regulatory framework:

(a) Assist Governments with the development of a quality and productivity policy by assessing the existing policy framework and advising on the establishment of incentive and support programmes, such as quality awards;

(b) Assist Governments to develop and harmonize the legal and regulatory framework relating to quality, standardization and metrology for better protection of consumer health and safety of the environment and to act against fraud by assessing the existing framework and providing advice on necessary adjustments.

02: Standardization and conformity assessment:

(a) Establish or strengthen the capacity of existing standardization bodies by providing training, setting up subsectoral technical committees, assist with the design and implementation of awareness programmes to promote the adoption of standards at national and regional level, and assist participation in regional and international standards-setting forums and networks;

(b) Establish or strengthen the capacity of accreditation bodies for the purpose of being recognized by the International Accreditation Forum (IAF) or the International Laboratory Accreditation Cooperation (ILAC) by conducting pre-evaluations and assisting in networking and partnership arrangements with other national/regional institutions;

(c) Establish or strengthen laboratory capacities for sampling, inspection, material and product testing, including microbiological and chemical analysis by specifying testing and equipment requirements. Provide technical support for the harmonization of testing procedures, training of staff through twinning arrangements, as well as assistance in networking, partnership and agreements for conformity assessment.

03: Metrology (measurement):

(a) Establish or strengthen laboratory capacities for industrial and legal metrology by identifying calibration, verification and equipment requirements, assisting in the physical set-up and start-up of laboratories; upgrading measurement equipment according to international standards, training technicians and assistance in networking, inter-comparisons, mutual recognition arrangements and accreditation;

(b) Implement UNIDO software Measurement and Control-Chart Toolkit (MCCT) to meet the requirements related to metrological control of the ISO 9000/2000 standards.

04: Quality management and productivity improvement:

(a) The UNIDO quality approach enables the enterprises to enter into self-sustained and continuous improvements without the need for continued assistance by:

(i) Building institutional and human capacity at the level of Governments and institutions for implementing quality management methodologies and systems (TQM, ISO 9000/2000, statistical process control, etc.) through practical demonstration in groups of pilot enterprises for improving their quality and productivity;

(ii) Promoting productivity by establishing regional and national quality and productivity centres. The centres act as one-stop-shops for productivity and quality improvements in the manufacturing sector and associated institutions by fostering production management upgrading at the level of enterprises, industrial sectors, supply chains, technology institutes and policy-related government bodies. Furthermore, through process and competitiveness benchmarking services, the centres will be able to help identify, adapt and promote best manufacturing practices;

(iii) Improving capability to monitor and increase business performance through the implementation of UNIDO business excellence software packages: PHAROS (Business Navigator) suitable for SMEs, BEST (Business Environment Strategic Toolkit) and FIT (Financial Improvement Toolkit) and MCCT for monitoring calibration of equipment and carrying out simple statistical process control.

05: Industrial restructuring and upgrading:

(a) Build capacities in public- and private-sector institutions to develop national industrial upgrading and restructuring policies, support mechanisms, including financing schemes, and restructuring and upgrading programmes;

(b) Develop national consulting capability to address the restructuring and upgrading needs.

Global forum functions

(a) Foster linkages and cooperation among regional and international organizations such as ISO, WTO, ILAC, IAF, International Organization of Legal Metrology (OIML) and regional and international standardization and accreditation bodies to facilitate networking, promotion of mutual recognition of certificates and harmonization of standards;

(b) Monitor global trends in standardization, conformity assessment, metrology and testing to promote awareness and strengthen the trade capacity of developing countries through applied research and benchmarking studies, training and participation in international conferences;

(c) Carry out and disseminate benchmarking analyses to identify best practices of standardization bodies and laboratories;

(d) Develop and improve business excellence tools such as BEST, FIT and PHAROS, and printed material for upgrading business performance such as the manual on diagnostic for restructuring and upgrading through applied research and benchmarking studies in quality management, industry modernization and productivity.

SMALL BUSINESS DEVELOPMENT (Programme C.4)

Context

A competitive and resilient industrial sector relies on an appropriate mix of large, medium and small enterprises. SMEs play a leading role in creating employment, income and value added, accounting for up to 90 per cent of manufacturing enterprises and between 40 and 80 per cent of manufacturing employment. In LDCs, their role is even more important, since SMEs often offer the only realistic prospect for creating additional employment and thus reducing poverty. A healthy SME sector is, therefore, crucially important for inclusive and socially sustainable development. However, institutions providing support services are often limited in their coverage and capacity. Existing institutions are frequently poorly designed and have difficulty in providing their services effectively and efficiently. SMEs, in general, face problems associated with their size and relative isolation such as inability to achieve economies of scale and difficulties in entering into national and global value chains driven by large transnational corporations. The constraints of individual SMEs include limited technical and managerial skills, difficulty in obtaining financing and insufficient knowledge about laws and regulations.

Services provided and expected outputs

During the biennium, the Programme will focus on the following services and outputs:

01: Development and implementation of SME policies:

(a) Strengthen the capacity of the public and private sectors to formulate and implement national and regional policies, strategies and programmes to promote SME development as well as to monitor their effectiveness. This is done by setting up consultative mechanisms, supporting strong departmental SME advocacy units in Government and strengthening their capacity to collect and analyse SME-related information;

(b) Improve the regulatory framework for SME development by reviewing existing laws, administrative rules and procedures; developing recommendations for corrective measures; training public administrators and disseminating information to raise entrepreneurs' awareness of regulatory and administrative issues affecting their business operations.

02: Development of local business systems:

(a) Promote the collective efficiency of SME clusters and networks by undertaking diagnostic studies, developing a joint vision, formulating a network/cluster action plan, and establishing cooperation with similar networks/clusters for benchmarking and exchange of best practices;

(b) Build multisector partnerships and strategic knowledge alliances between UNIDO, transnational corporations, SMEs, business associations, research and other civil society organizations within specific manufacturing subsectors aimed at integrating SMEs into global value chains.

03: Business advisory services:

(a) Establish or strengthen business centres and other business advisory mechanisms to provide targeted services for SMEs by assisting in the design of their organizational structure, determining the mix of services to be provided, and training staff in the provision of

basic or more sophisticated business support to entrepreneurs;

(b) Design and implement programmes that build capacity to promote business incubators to support new businesses during their start-up and early growth phase. This is done by promoting awareness of the concept among potential incubator developers and sponsors, preparing a framework for development and advising on specific feasibility and operational issues.

04: Rural entrepreneurship development:

(a) Support Governments and other stakeholders in designing programmes in support of national poverty reduction strategies through promoting rural micro and small enterprises and in improving the enabling policy and regulatory environment at the local level;

(b) Strengthen affordable and effective business development services in rural areas to develop entrepreneurial, managerial and technical skills, with emphasis on micro enterprises and self-help capacities of civil society institutions, and facilitate access to finance schemes bridging the gap between micro-finance and commercial bank finance.

05: Women's entrepreneurship development:

(a) Strengthen the capacity of public and private support institutions to identify and alleviate the constraints faced by women entrepreneurs by equipping these institutions with tools to formulate and implement targeted skills enhancement programmes and by organizing training of trainers courses;

(b) Organize, on a pilot basis, managerial and technical skills development programmes for women entrepreneurs at the level of selected industrial subsectors such as food-processing and textiles, with emphasis on micro and small enterprises.

Global forum functions

(a) Participate in the Donor Committee for Small Enterprise Development which—based on a broad membership from both multilateral and bilateral development agencies—seeks to develop best practices of SME promotion through donor interventions;

(b) Undertake action-oriented research and issue technical working papers covering lessons learned from programmes and projects as well as contributions to the general debate on private sector and SME development;

(c) Cooperate with OECD in the Forum on Enterprise and Entrepreneurship Development and with UNDP on the regular updating of the United Nations Inter-agency Resource Guide for Small Enterprise Development.

AGRO-INDUSTRIES (Programme D.1)

Context

Agro-industrial products greatly contribute to meeting basic human needs and to sustaining livelihoods. Only a small proportion of produce is now processed and there is great post-harvest waste due to lack of storage facilities, infrastructure and poor knowledge of even basic techniques for conversion and manufacturing. Support institutions lack capacity for extension services, professional and sectoral trade associations are weak and there are few specialized consulting firms able to advise on process and machinery selection, production planning and control, waste minimization, product mix, choice of raw materials and technical inputs. Unemployment, especially in rural areas, is high and existing artisanal SMEs cannot meet the quality standards for export or compete with imports. Adding value to raw materials is the only sustainable way to create wealth at the grass roots or community level.

Services provided and expected outputs

01: Food sector:

(a) Services cover advice to support institutions and assisting with enterprise-level demonstration and training projects covering grain milling, bakery products, including enrichment; vegetable oils, fruits and vegetables (solar drying, canning, juicing and freezing); meat and fish; dairy products, including dried and powdered milk, yoghurt and similar items; sugar and derivatives; beverages; animal feed production using crop residues and wastes, including agro-industrial by-products;

(b) UNIDO advises enterprises and helps demonstrate processing technologies, product testing and packaging procedures to ensure that products meet quality requirements, consumer health and safety (GMP and HACCP) and environmental concerns, and that they meet and maintain the product and process control standards necessary to succeed in local and export markets.

02: Leather sector:

(a) Services encompass advice to support institutions at national and regional levels and assistance in the demonstration of environmentally-friendly processes and technologies for the tanning of hides and skins as well as in application of improved processes and production technologies to ensure competitively produced high-quality leather and footwear products;

(b) Assistance is provided for the establishment of footwear and leather product market intelligence systems and of leather grading standards, in training of trainers and in the design and manufacture of products;

(c) Advice is given on selection and use of equipment, process optimization (CAD/CAM), style and fashion trends and on promotion programmes for exporters.

03: Textiles sector:

(a) Assistance is given to support institutions and enterprises in demonstration of modern textile and garment production technologies to optimize production and minimize waste when cutting out garments (CAD/CAM); on the use of natural fibres and synthetics for textiles; on selection and use of equipment for spinning, weaving and knitting;

(b) Assistance is provided in the field of dyeing and finishing to help introduce computerized colorimetry and colour-matching to meet international standards and to reduce pollution from pigments;

(c) Support is given to enterprises during the phase-out of the Multi-Fibre Agreement and to help the African textile industry benefit from the US-Africa Bill.

04: Wood sector:

(a) Advice and demonstration activities are provided to increase value added to wood and non-wood (e.g. bamboo) forest products through manufacture of furniture and joinery items for building and the rational use of timber for the construction of durable structures;

(b) Coverage includes technical cooperation to apply the related wood technologies of grading, drying and preservation; product design, selection of machinery and equipment for rough milling, machining, assembly and finishing plus structural design and demonstration of structures such as bridges, housing, farm and community buildings as well as to strengthening of support institutions and sectoral associations.

05: Agro-machinery and re-engineering:

(a) Advisory services are provided to the agricultural machinery industrial system and cover the design and manufacture of basic machinery implements and tools used for agricultural production and processing, including technical inputs;

(b) Advice is also given on the establishment of rural repair and maintenance workshops for cars, trucks and tractors, farm implements, tyre repair and re-treading, outboard motors, spare part manufacture and on equipment for storage, handling and packaging of processed agricultural products; and innovation, upgrading and/or re-engineering of factory production lines in agro-machinery sectors.

Global forum functions

(a) Organization of International Food Safety Panel (called for by leaders of G-8, 28 July 2000) and associated regional seminars;

(b) Organization of the Leather Panel to advise on programmes and funding;

(c) Organization of periodic sectoral (Wood and Food) Industry Advisers Group meetings;

(d) Development of sectoral databases on machinery and equipment and on processes.

INDUSTRIAL ENERGY AND KYOTO PROTOCOL (Programme D.2)

Context

Energy is essential to economic and social development and to improving the quality of life. However, accessibility to reliable and affordable energy is very unevenly distributed, both between countries and within countries. Many developing countries—in particular LDCs—and countries with economies in transition face the urgent need to provide adequate, reliable and affordable energy services, especially electricity, to billions of people in rural areas. On the other side, the production/generation, distribution and use of energy are sources of global pollution and waste, inter alia, substantially increasing the atmospheric concentrations of greenhouse gases. Particularly, the importance of carbon dioxide emissions as an environmental issue of international concern has grown substantially since 1992, when the UNFCCC was adopted because of increasing concern over rising atmospheric concentrations of greenhouse gases and their possible adverse effects on the global climate system.

World energy use has emerged at the centre of the issue and since then increased greenhouse gas emissions from fossil fuel combustion dominate the climate change debate. In this context, UNFCCC and Kyoto Protocol call for enhancement of energy efficiency and increase of new and renewable energy as well as measures to limit or reduce emissions of greenhouse gases. Global climate change mitigation particularly depends on widespread use of energy efficiency and renewable energy technologies in all countries.

To enable developing countries and economies in transition to meet both national development and global

climate change goals, the multilateral funding mechanism of GEF and its partner agencies and regional development banks develop, finance and implement projects that reflect the GEF's climate change mitigation strategies. Following the adoption of resolution GC.8/Res.2, reaffirmed by the Industrial Development Board at its twenty-third session, UNIDO was accorded partnership status with the GEF Secretariat at its Council meeting in November 2000.

Services provided and expected outputs

01: Rural energy:

(a) Assess the market feasibility of the introduction of commercially viable rural energy systems based on clean or renewable energy sources in cooperation with national counterparts;

(b) Assist with the design and implementation of rural energy programmes based on clean and renewable energy sources such as biomass fuels, solar, wind and hydropower, as well as cleaner fossil fuels such as liquid petroleum gas;

(c) Strengthen the capacity of local manufacturing of appropriate energy equipment and energy systems.

02: Industrial energy efficiency:

(a) Assist recipient countries with developing an energy-efficiency programme that would help to attain greater energy security by bridging the gap between energy demand and supply and to address broader national and global environmental concerns, including greenhouse gas emissions;

(b) Enhance energy-efficiency measures and harmonize national technical standards through and with industrial associations, and promote voluntary agreements of industry with local beneficiaries and authorities;

(c) Analyse and assess energy-intensive industrial sectors, identify the barriers to the implementation of energy efficiency measures and develop strategies for overcoming economic, institutional, regulatory and market barriers in cooperation with national counterparts;

(d) Conduct plant-level energy audits to assess the current situation, analyse the performance of existing energy-intensive equipment and machinery, and introduce appropriate housekeeping measures;

(e) Demonstrate new technologies and process options for cases when the above-mentioned measures are no longer sufficient.

03: Climate change and Kyoto Protocol:

(a) Develop methodologies for the Clean Development Mechanism (CDM) and Joint Implementation under the Kyoto Protocol to assist the effective implementation of those mechanisms overall and to assist developing countries in their implementation;

(b) Strengthen institutional capacity in developing countries to correctly apply the guidelines and methodologies for the development and implementation of projects under the CDM and Joint Implementation under the Kyoto Protocol;

(c) Act under a GEF partnership as executing agency with expanded opportunities for the preparation and implementation of GEF-funded projects in line with the GEF climate change mitigation strategies;

(d) Seek international collaboration, especially with international and regional organizations, development banks and energy technology centres.

Global forum functions

(a) Be involved in a number of activities in the energy field to enhance the awareness of energy and climate change problems, and to develop the strategy and methodologies to solve the problems. These activities include those under the UNFCCC and Kyoto Protocol process, such as CDM and Joint Implementation, as well as those specifically targeting energy concerns of LDCs;

(b) Carry out activities bringing stakeholders together to discuss, recommend solutions and take action to help to reduce poverty through provision of energy services in the least developed regions;

(c) Actively take part in the Rio + 10 preparations and the main event;

(d) The form of activities described above includes preparation of technical papers/studies, organizing national, regional and international meetings, involvement with activities of other stakeholders, hosting business and industry events, participation in main forums and so on.

MONTREAL PROTOCOL (Programme D.3)

Context

In the past, the lack of knowledge about atmospheric chemistry and processes resulted in stratospheric ozone depletion. Man-made chemicals, especially chlorine and bromine compounds, such as chlorofluorocarbons

(CFCs), halons, and a broad range of industrial chemicals used as aerosol propellants, refrigerants, fire retendants, solvents, process agents, foaming agents and fumigants, attack the ozone layer and are recognized as ODSs. The depletion of the ozone layer allows ultraviolet-B radiation to reach the ground, which could raise the incidence of skin cancer, cataracts, and other adverse effects on the human immune system. Moreover, the climate change is enhanced disturbing the ecological food chains, affecting agriculture, fisheries and biological diversity.

The Vienna Convention on Protection of the Ozone Layer (1985) and the subsequent Montreal Protocol on Substances that Deplete the Ozone Layer (1987) form the basis for global cooperation for the protection of the ozone layer. As of May 2000, 173 countries ratified the time schedule to "freeze" and reduce consumption of ODSs. In this context, the developing countries (Article 5 Parties) have agreed to freeze most of CFC consumption as of 1 July 1999 based on 1995-1997 averages, to reduce consumption by 50 per cent by 1 January 2005 and to fully eliminate CFCs in 2010. For methyl bromide, used mainly as a fumigant, developing countries will freeze their consumption by 2002 based on average 1995-1998 consumption levels.

With the onset of the freeze on CFC production and consumption, the Article 5 countries—63 of which are assisted by UNIDO—are entering a new phase. The "grace period" marked by no control measures under the Montreal Protocol is no longer valid, and these countries are now in the "compliance" period in which they have to achieve specific reductions in national ODS phase-out programmes. With the move into the compliance period, the importance of the country-driven and compliance-based approach has now been recognized, providing the Article 5 countries further flexibility in the use of approved funding of their phase-out processes. UNIDO, as one of the four implementing agencies of the Montreal Protocol since 22 October 1992, continues to assist the developing countries in their national processes within the agreed time frame and modality.

Services provided and expected outputs

01: Policy, strategy and programme design:

(a) Assist Governments in the preparation of policies, strategies and national programmes and in updating relevant data and information for the phasing out of ODS (by assisting them in the identification of technology options and the most effective ODS-related activities);

(b) Assist Governments in the preparation of sectoral surveys and profiles to define specific strategies and requirements in sectors (e.g. process agents for pharmaceutical and tobacco and for developing industrial rationalization concepts for SMEs).

02: Support institutions:

(a) Assist in the establishment of national demonstration and training centres to provide awareness and training for industrial and agricultural technical personnel and plant managers in the management and handling of non-ODS technologies as well as in identifying and testing alternatives to the use of specific fumigants, such as methyl bromide;

(b) Assist the local authorities through institution-building projects in establishing National Ozone Units, in training of national experts (Ozone Officers, Customs Officers, etc.) in the preparation of regulations, codes of good servicing, maintenance, safety and production practices (by the preparation of refrigerant management plans) and in techniques of demolishing of equipment.

03: Direct support to enterprises by project implementation:

(a) Assist the industry in the identification and implementation of state-of-the-art non-ODS production technology by assessing respective capital and operational costs and safety issues, assisting in the transfer of clean (non-ODS) technology, including the use and/or acquisition of overseas technology rights, equipment procurement, the conversion of production lines, retrofitting, maintenance, recovery and recycling, training of staff, commissioning of production lines and quality certification;

(b) Assist the industry in phasing out the use of specific fumigants, such as methyl bromide (by identifying and testing national alternatives and providing advice on their implementation);

(c) Assist industry in industrial rationalization through large-scale umbrella projects, optimizing available funds and contributing to the sustainability and market competitiveness of "grouped" SMEs.

Global forum functions

01: Compulsory protocol functions:

(a) Attend regularly (three times per year) the sessions organized by the Executive Committee of the Multilateral Fund for annual business plans, project approvals and discussions on policy issues and for reporting on annual work plans;

(b) Attend inter-agency coordination and advisory group meetings organized by the Montreal Protocol Secretariat and UNEP to review technical and

economic issues concerned with the effective use of funding, formulation of projects, emerging technologies and chemicals, evaluation and reporting schemes and on data processing;

(c) Attend regional networking meetings organized by UNEP, as technical experts to review with Ozone Officers any technical, economic and policy issues related to formulation and implementation of projects, technologies, products and adoption of new policies for compliance and planning.

02: Other organizational functions:

(a) Organize regional workshops in cooperation with UNEP to disseminate information and provide advice based on UNIDO's experience in sectors where the Organization has the leading position (e.g. methyl bromide, process agents);

(b) Organize expert group meetings for consultations on the implications of new technological trends, new chemical alternatives and/or on the common constraint areas of SMEs;

(c) Preparation of country-specific publicity materials and an updated mobile exhibition reflecting the Organization's achievements, activities and experience in relevant areas.

ENVIRONMENTAL MANAGEMENT
(Programme D.4)

Context

Few now doubt that the continuing degradation of the natural environment poses one of the deepest challenges to modern industrial societies. Major problems include global warming, loss of biodiversity, water and air pollution, POPs and toxic substances, and soil erosion. Institutions and industries of developing countries and economies in transition face several constraints in combating the loss of natural environmental resources at the national level and emerging environmental issues of a transboundary, regional and global nature.

Services provided and expected outputs

01: Environmental planning and policy formulation:

(a) Assist Governments in preparing audits of environmental status enabling the cost-benefit analysis of environmentally sound non-combustion technologies and alternative remediation technologies, and the development of sustainable environmental policies and action plans;

(b) Build the capacities of Governments to enforce environmental policy and monitor compliance with regulations through the strengthening of their infrastructure and human resources, thereby enabling them to formulate sector-specific pollutant discharge standards, prepare and operate sustainable regulatory regimes and implement monitoring programmes;

(c) Assist Governments to operate collectively in the management and sustainable use of integrated transboundary river basin, wetland, coastal zone and large marine ecosystems;

(d) Strengthen the capacity of public- and private-sector institutions, at national, regional and provincial levels, to evaluate the relative contributions of different industrial subsectors to sustainable development and thus to formulate and implement cost-effective and consensus-based environmental policies and regulations for industry.

02: Cleaner and sustainable production:

(a) Establish and strengthen NCPCs, which raise awareness in the private and public sectors of the purpose and benefits of cleaner production, and assist enterprises with the implementation of environmental management systems and the identification, evaluation, and financing of cleaner production options;

(b) Assist Governments, institutions and enterprises with the removal from manufacturing processes of POPs and persistent toxic substances through the introduction of substitutes or alternative environmentally sound non-combustion technologies;

(c) Develop and disseminate expert systems for environmental impact assessment;

(d) Promote cleaner environmental practices such as bio- and phytoremediation in the public and private sectors;

(e) Develop information systems consistent with the Clearinghouse Mechanism of the Convention of Biological Diversity.

03: Pollution control and waste management:

(a) Assist the private and public sectors (including local government) to identify, evaluate and implement pollution-control and waste-management systems and to apply new bioremediation technologies to the clean-up of polluted industrial sites and areas;

(b) Strengthen the capacity of subsector institutions to assist enterprises to evaluate and take up environmentally sound non-combustion technologies, thereby decreasing emissions of polluting by-products such as POPs (dioxins and furans);

(c) Assist the artisanal and small-scale gold mining sector to minimize the discharge of highly poisonous mercury used in gold extraction through the introduction of technologies for its safe handling within closed systems.

Global forum functions

01: Indicators of sustainable development and triple bottom line:

(a) Convene two expert group meetings, whose conclusions will be included in its interventions and presentations at Rio + 10 (summer 2002). The first will be a peer review of UNIDO's assessment of whether industrial development in developed and developing countries has converged on or diverged from sustainable development targets over the past decade and what measures can be taken to accelerate convergence. The second will assess the global supply chain effects of corporate responsibility efforts of transnational corporations and how exporters in developing countries can best respond to the new social and environmental requirements while at the same time remaining competitive.

02: Biodiversity:

(a) Analyse critical issues affecting the development and use of genetically modified organisms, as well as their impact on biodiversity and the sustainable utilization of biological resources.

03: Millennium Declaration:

(a) Contribute to the implementation of the Declaration, in particular through activities—in coordination with WHO—to provide safe drinking water. UNIDO will seek to identify, develop and deploy environmentally sound management strategies and technologies to overcome potential contaminants such as arsenic and fluoride.

04: Environmentally sound management of chemicals, POPs and toxic substances:

(a) Cooperate and coordinate UNIDO activities in the context of the inter-organization programme for the sound management of chemicals, with UNEP, ILO, FAO, WHO, UNITAR and OECD.

05: International waters:

(a) Participate in the two Committees on Water Resources and Oceans and Coastal Areas, where UNIDO partners are UNEP, ILO, FAO, WHO, UNITAR, OECD, CSD, and UNESCO.

II. RECENT ACHIEVEMENTS

6. From January 1998 to date, the following achievements and commitments were realized through the ICS work programmes:

- More than 65 training courses conducted in specific technical areas to strengthen national capacities in dealing with and mastering advanced technologies;
- More than 60 workshops or awareness-building seminars held to review state-of-the-art of technological innovation and methodologies;
- More than 35 high-level expert group meetings conducted to review and assess technological needs and priority demands;
- Fifty medium-term training fellowships granted to train young experts and involve them and their institutes in specific projects;
- More than 3,000 experts, technologists, industrialists, researchers and decision-makers involved as lecturers or participants;
- Project proposals developed and under promotion, through UNIDO, with international donors;
- Publications, guidelines, training packages prepared and distributed to institutions in developing countries.

7. Among the most visible achievements of the ICS programme during this period has been the technology foresight initiative for Latin America. With the backing of the Italian authorities, it is in its third year of operation. Results expected in 2002, in the form of a productive chain approach in selected industrial areas, will provide the benchmark for similar UNIDO programmes in other regions.

8. The ICS programme for 2002-2005 will entail a budget of $11 million and will be discussed at the next ICS Steering Committee meeting. As originally agreed in resolution GC.4/Res.14, paragraph 1, ICS will be "... financed exclusively by additional voluntary contributions with no legal or financial obligations to UNIDO."

Annex

LETTER FROM THE PERMANENT REPRESENTATIVE OF ITALY

The Permanent Representative of Italy
to the International Organizations
Hoher Markt 8-9
1010 Vienna

Vienna, June 1st 2001

Dear Director-General,

I refer to the Agreement between the Italian Government and UNIDO General Conference, signed on the 9th of November 1993, concerning the institutional duties of the International Centre for Science and High Technology (ICS) in Trieste.

I also refer to the Resolution GC.7/Res.12, adopted by the UNIDO General Conference on the 4th of December 1997, which acknowledges the end by mutual consent of the above-mentioned ICS Institutional Agreement between the Italian Government and UNIDO, as well as the intention of the Italian Government to participate in a three-party Agreement together with UNIDO and UNESCO, with the intention of regulating the activities of ICS in the future.

As you know, the Italian Government had expressed in the past its intention to move the ICS from UNIDO to UNESCO with the purpose to rationalize all the scientific Institutions operating in Italy under the aegis of the United Nations. This purpose was based upon the sole principle of harmonization with similar Institutions working within the framework of UNESCO and was aimed at creating the conditions, in the area of Trieste, for an effective integration between training and research activities in the interest of Developing Countries.

The new opportunities arising from the continuous and fruitful collaboration established in the last three years between the Italian Government and UNIDO, as well as the outstanding achievements due to the excellent policy pursued by UNIDO, have created a new scenario that requires a review of the previous intention to put an end to the ICS Institutional Agreement.

As a matter of fact, according to the Italian Government, the Agreement is still in force since, given the strengthened collaboration between Italy and UNIDO, resolution GC.7/Res.12 has not been followed by concrete steps, such as, in particular, those foreseen by Article X (entry into force, duration, amendments). According to the Italian authorities, resolution GC.7/Res.12 may be considered as a "merely internal act of UNIDO" that could be superseded by a new resolution of the General Conference, without prejudice of the validity of the Agreement itself.

I would be grateful to you if the Italian request could be put in the agenda of the next General Conference of UNIDO.

I take this opportunity, dear Director-General, to renew the assurances of my highest consideration.

[*Signed*]

Vincenzo Manno

[UNIDO/] GC.9/12/ Add.1

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Item 14 of the provisional agenda

INTERNATIONAL CENTRE FOR SCIENCE AND HIGH TECHNOLOGY

Addendum

Note by the Secretariat

1. Subsequent to the issuance of document GC.9/12, a letter dated 27 November 2001 was received from the Permanent Representative of Italy concerning the proposal for a Joint Communiqué on the International Centre for Science and High Technology (ICS). The letter is reproduced in annex I to the present document.

2. The Joint Communiqué on ICS was signed by the Permanent Representative of Italy and the Director-General of UNIDO on 29 November 2001, as shown in annex II to the present document.

ACTION REQUIRED OF THE CONFERENCE

3. The Conference may wish to consider adopting the following draft resolution:

"*The General Conference*,

"*Recognizing* that the main objective that motivated the establishment of the Centre—the promotion of and the assistance in the development, selection, transfer and use of technology in favour of developing countries—is still pertinent and valid,

"*Recalling* its resolution GC.7/Res.12 regarding the Institutional Agreement concluded on 9 November 1993 between UNIDO and the Government of Italy,

"*Acknowledging* that during the last four years the activities of the Centre have been implemented under the responsibility of UNIDO as a result of a mutual and close cooperation with the Government of Italy,

"1. *Takes note* of the conclusion on 29 November 2001 of a Joint Communiqué between the Permanent Representative of Italy to UNIDO and the Director-General of UNIDO stating, inter alia, that subsequent to the adoption of GC.7/Res.12 the related work programme of the Centre has been implemented de facto without interruption;

"2. *Also takes note* of the wish of the Government of Italy and of UNIDO to continue such collaboration in the future for which purpose the provisions of the Institutional Agreement will be applied;

"3. Requests the Director-General to present to the General Conference at its next session a report highlighting synergy and relevance of ICS activities in relation to the UNIDO work programme."

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Annex I

LETTER FROM PERMANENT REPRESENTATIVE OF ITALY

The Permanent Representative of Italy
to the International Organizations
Hohe Markt 8-9
1010 Vienna

Vienna, 27th November 2001

Dear Mr. Maruno,

I have the honour to refer to your letter dated 5th November 2001 concerning the 1993 "Institutional Agreement" between the Government of Italy and the UNIDO for the ICS in Trieste (point 14 of the provisional agenda of the next General Conference) and containing the proposal of a "joint communiqué between the Permanent Representative of Italy to the UNIDO and the Director-General of UNIDO".

In this respect, I am pleased to inform you that the Italian Ministry of Foreign Affairs has agreed to go along with the above mentioned proposal, which meets the need to continue "de facto", without interruption, the collaboration between Italy and UNIDO regarding the ICS in Trieste on the basis of the provisions of the "Institutional Agreement".

The signing of the "joint communiqué" could take place at your earliest convenience, before or during the next General Conference.

Please accept, Sir, the assurances of my highest consideration.

[*Signed*]

Yours sincerely
(Claudio Moreno)

Mr. Yo Maruno
Managing Director
Investment Promotion and Institutional
Capacity-Building Division
UNIDO
Vienna

Annex II

JOINT COMMUNIQUÉ BETWEEN THE PERMANENT REPRESENTATIVE OF ITALY TO THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION AND THE DIRECTOR-GENERAL OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

The Permanent Representative of Italy to the United Nations Industrial Development Organization (UNIDO) and the Director-General of UNIDO have held consultations with a view to strengthening their collaboration regarding the International Centre for Science and High Technology (ICS). The parties recognize that the main objective, which motivated the establishment of the ICS within the legal framework of UNIDO through General Conference resolution GC./Res.14 of 22 November 1991—the development of the scientific and technological capabilities of developing countries in the creation and application of scientific knowledge—is still pertinent and valid.

By the present communiqué the parties would like to state that subsequent to the adoption of General Conference resolution GC.7/Res.12 of 4 December 1997 the provisions of the Agreement between UNIDO and the Government of Italy concerning the Institutional Arrangements for the ICS signed on 9 November 1993 and its related work programmes have been implemented de facto without interruption. The activities and projects related to the ICS have been the result of a sustained and close cooperation between the Government of Italy and UNIDO. It is the wish of the parties to continue such collaboration in the future for which purpose the provisions of the Institutional Agreement will be applied.

For the Government of Italy:

[signed]

Claudio Moreno
Ambassador
Permanent Representative of
Italy to UNIDO

Vienna, 29 Nov. 2001

For UNIDO:

[signed]

Carlos Magariños
Director-General

Vienna, 29 Nov. 2001

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INDUSTRIAL DEVELOPMENT FORUM

Fighting marginalization through sustainable industrial development: Challenges and opportunities in a globalizing world

Theme paper submitted by the Secretariat

Abstract

Although greater integration through cross-border flows of goods, services and factors may yield higher global efficiency, many countries are at risk of missing its potential benefits entirely. For a variety of reasons, the business sector is the most exposed to the challenges of globalization; it is also the cornerstone of any successful integration strategy. Yet what are the specific challenges faced by firms in developing countries when attempting to enter the global marketplace? And how can these challenges be turned into opportunities for effective integration? These are some of the issues this paper sets out to address. It highlights the complexity and urgency of the challenges faced by developing countries and the need for proactive responses, which will become even more urgent in the coming years as the economic aftershocks of recent events reverberate through the world.

Introduction

1. As part of a continuous effort to stimulate a substantive discussion on the evolving role of UNIDO and its contribution towards the achievement of international development objectives, the Industrial Development Forum will be held under the theme *Fighting marginalization through sustainable industrial development: Challenges and opportunities in a globalizing world*.

2. Previous global forum events organized by UNIDO have highlighted the need to address the missing links in the current international development agenda and have emphasized, in broad terms, the complementary measures that need to be taken. While the continued importance of industry for furthering socio-economic development, particularly in this era of increasing economic integration and liberalization, has been argued in past events, the present development reality requires us to move on and examine more carefully how industry can serve as a dynamic force in bringing about a process of sustainable development. Thus, the Forum is intended to explore ways through which UNIDO can assist countries in gradually integrating into the world economy and thus maximize its contribution to reversing the process of marginalization.

3. While there is broad agreement that the economic reform programmes initiated by developing countries and economies in transition have done much to connect countries to international trade and investment flows, it is at the same time acknowledged that these programmes have been insufficient to translate this progress into sustainable productivity growth. As a result, widespread public support for economic reform

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has been waning, particularly in those countries that have failed to link up effectively with the international economic system and reap the benefits of liberalization. UNIDO has for some time now pointed to the need to update the international development agenda and make globalization a win-win proposition for all countries. The Organization has argued that, along with the urgent need to address present imbalances in the trade and financial rules of the multilateral system, the inadequate flows of information, skills and knowledge to and within developing countries also need to be dealt with. Thus, new measures are required to provide dynamic private enterprises in developing countries with access to the information, technology, skills and knowledge that they require to connect them with the global economy.

4. The task of updating the development agenda in such a way that it enables the international community to address the key dimensions of development (economic growth, productivity, social equity, poverty reduction and environmental protection) is a major undertaking. As such, it can only be conceived as a joint effort of all multilateral institutions, including UNIDO, which has a very significant role to play in this effort. Along with other international organizations, UNIDO needs to continue exploring the best ways of assisting Governments and the private sector to cooperate in fostering the mobilization of national as well as external resources for economic and social development.

5. Industry can make a particularly important contribution to growth and to the rise of incomes and the reduction of poverty in the developing world because:

- It is the main engine for improving the economic structure of developing countries from sectors with low growth and low productivity to those with high productivity and a growth potential;
- It is the most effective user and carrier of technology to the economy;
- It creates skills, knowledge, entrepreneurship and innovation;
- It promotes social mobility, is an important source of employment and generator of incomes, and acts as a powerful magnet for attracting external resources for development.

6. In most developing countries industry has historically had to depend to a large extent on local factors and capabilities. A rapidly globalizing world, however, relies in ever-larger measure on internationally mobile—and, at times, volatile—resources. Particularly in the case of the least developed countries, development strategies have to cope with new challenges stemming from the difficulties to attract and retain these resources and to combine them with upgraded domestic resources.

7. The international community has adopted a set of norms and conventions that are meant to speed up globalization and, at the same time, address some of its risks. This has often resulted in the setting of higher standards, which, if not addressed properly, might aggravate trends towards the marginalization of the stragglers in the globalization process. However, firms in developing countries are often able to adopt proactive strategies that allow them to transform challenges in such areas as environment and quality into opportunities.

Panel I. Economic and social development: How best can industry contribute to fighting poverty?

8. A substantial reduction of poverty throughout the world, which is now regarded as the overarching goal of international cooperation for development, is attainable only with sufficiently high rates of economic growth in the developing countries. Given what we know about the growth process, manufacturing industry has an important role to play in bringing about such growth. What remains to be examined in detail, however, are the ways in which industrial growth in the developing world is to be fostered, given the aforementioned central goal and present circumstances. Regarding the goal, the quality—and not just the rate—of growth also matters. The pattern of growth needs to be well suited for a significant reduction of poverty and inequality. The required growth and development need to be realized under conditions of a rapid and multifaceted integration of the global economy. This will be further complicated in the coming years by the economic aftermath of the recent international events.

9. Globalization is characterized primarily by steadily intensifying flows of goods, services, resources, knowledge and information. While these flows potentially span the globe, participation in them is in no way guaranteed in the same measure to all economies around the world. On the contrary, significant forces of agglomeration forces seem to be at work, which appear to be largely beyond the scope of policy and are concentrating the benefits of globalization in some parts of the globe whilst leaving others marginalized. The development objective is largely aimed at counteracting such adverse trends.

10. Opportunities to connect with and benefit from the various forms of international flows depend in large measure on local conditions, including resource endowments and policy orientation. Local conditions—including those related to trends in social development and capacity-building—are being transformed rapidly

due to the impact of globalization and the international flows associated with it. In sum, the objective of a substantial reduction of poverty worldwide calls for deliberate efforts to connect economies to international flows and to ensure positive outcomes of the interaction between such flows and local factors.

11. The topics chosen for discussion in Panel I are best seen in the context of what is currently known about the nature and the sources of economic growth. A central piece of this knowledge is the link between poverty reduction and growth as mediated by productivity—since it is productivity gains that allow better living standards. But how is growth associated with productivity gains in developing countries? And which is the main force behind growth: factor—in particular, physical capital—accumulation, sector- and plant-specific efficiency gains, or shifts to higher-productivity activities? Of course, growth draws on advances along all three of these avenues. But their respective contributions may vary according to time and place and, in particular, according to the local circumstances of industrial development.

Technology

12. Current methods of measuring productivity change usually draw a dividing line between the influence of quantity and quality of factors of production and sizeable "unexplained" elements. With regard to the latter, productivity increases are perceived as technological progress as a key source, which in turn is strongly influenced by institutions and the incentive framework.

13. In the context of developing country growth, the basic distinction needs to be made between access to new technology through various channels on the one hand and its adoption, adaptation and efficient use on the other. The processes of adapting the relevant best practices, technology diffusion and improving technical efficiency, as well as the associated learning processes, figure prominently.

14. While in comparisons of growth performance across countries the dimensions of innovation and efficiency are pertinent, for developing countries the discussion usually centres on diffusion and efficiency and on efforts that are essential to them. Policy decisions need to be informed by knowledge about which of these efforts are most cost-effective under given local conditions. As a general feature, such decisions will involve combining measures that facilitate access to international flows of technology with those that support the complex processes behind its adoption, adaptation and efficient utilization.

15. While the diffusion and efficient utilization of technology thus represent a critical determinant of growth and development, the empirical record shows that the rate at which this has occurred has varied sharply from country to country. Even in the current era of globalization, which has undoubtedly facilitated and accelerated the spread and adoption of technology throughout the world, many less developed countries have been bypassed by this process. Proactive efforts to promote the spread of modern technology to the relatively disadvantaged countries, and its effective absorption by them, are therefore called for. These efforts include the establishment of specialized programmes to encourage technology diffusion, as well as technology foresight initiatives for the continuous assessment and monitoring of technology development and application in developing countries. In addition, these countries should also be given increased access to such advanced technologies as information and communications technology and biotechnology, which will play an important role in supporting economic development in years to come.

Investment and trade

16. Technological development in the developing world crucially depends on international flows of technical knowledge—as it does on costly domestic technological effort. With respect to growth and economic development at large, an argument of similar strength and plausibility applies to the role of international flows of goods and capital. These flows are assuming added and increasing importance also as channels for the transfer of new technology. All three types of international flows—knowledge, capital and goods—are expected to make important contributions to increased productivity and hence to growth.

17. Among investment flows, foreign direct investment deserves special attention as it represents one of the most effective ways for countries to access foreign resources, particularly technology, managerial expertise and skills. Viewed in a development perspective, the main problem with these flows lies in their high concentration among countries, both by source and destination. Low-income countries, in particular, seem to be increasingly marginalized also with respect to international investment activity. Areas for corrective policies include labour skills, technological capabilities, infrastructure and various kinds of transaction costs.

18. Trade in goods is one of the various channels through which technology can be transferred between countries. From this derives an argument for why openness and the resultant rise in the volume of trade are likely to make a significant contribution to growth. Another plausible argument for a positive trade-growth link has to do with the learning- and growth-enhancing effects of a drive towards exports. Exposure to increased competition in international markets usually

leads to improvements in the performance of exporting firms or industries.

19. Addressing the role and quality of openness in fostering competitiveness helps to sharpen the focus on these two key aspects of trade without creating frictions between them. Rather, only by combining appropriate international market access and domestic efforts to enable firms to succeed in these markets can the desired growth-enhancing effects be realized. This is particularly true for manufacturing, where increasing competitiveness has to be conceived as a broad and complex goal, which, also for this reason, attracts much attention on the part of analysts and policy makers.

Panel II. Global norms and local manufacturing: Challenges and opportunities

20. The stabilization and adjustment programmes of the early 1980s were predicated on the expectation that greater exposure to international flows of goods, services and factors would trigger faster domestic growth. At the same time, however, there was an increased awareness of the potentially adverse consequences of economic liberalization: faced with stronger competitive pressures, a firm would be faced with the dilemma of either undertaking risky investments to upgrade its product lines and process technologies or shifting towards more commodity-like, lower value-added, products—if it was to stay in business at all. Concurrently, the increasing application of international norms and conventions on quality and environment would leave it with an ever-narrowing scope to compete on low quality, low wages and environmental depredation. While these norms and standards were almost invariably introduced with the intention of promoting positive outcomes, such as public safety and health, environmental protection and economic stability, they also restrained the capacity of developing countries to take the low value-added path to global integration.

21. These trends are facets of the same phenomenon. They underline the uphill struggle faced by policy makers in developing countries in their endeavours to stimulate the mobilization of domestic resources, along with the integration of their economies into international investment, technology and trade flows. This Panel will therefore concentrate on the role of international norms, and assess their impact on the growth of manufacturing industry in developing countries: did they, in effect, further marginalize developing countries, or did they, on the contrary, help them join the mainstream of global integration? Much of the answer depends on how firms in developing countries have managed their integration process into regional and global markets, and how they have coped with associated international norms. Empirical evidence reveals a continuum of responses from a strictly passive compliance to international norms, which are then perceived as a constraint, to the proactive adoption of a strategic stance to take advantage these new rules of the game.

Environment

22. Global cooperation for the preservation of the environment has been encouraged and supported by various means and forums. These range from international conventions—such as those on climate change to support sustainable energy options; biodiversity to ensure the conservation of species; and the Montreal Protocol to phase out ozone depleting substances (ODS)—to the demonstration effect of cleaner production centres where upgraded production processes and energy efficiency measures are shown to satisfy environmental and economic concerns. In this respect, the current ratification of the Stockholm Convention on Persistent Organic Pollutants (POPs) opens both challenges and opportunities for firms in developing countries to support the international sustainable development agenda, which clearly calls for a close relationship between productivity, competitiveness and environmental compliance.

23. Indeed, implementation of the international environmental conventions could radically alter the payoff structure of firms in developing countries: those that do not take timely steps to comply with the binding regulations will see their markets shrink considerably; manufacturing processes and technologies will need to be upgraded; competition and best practice patterns will evolve in ways that are a priori difficult to fathom, let alone foresee. On the other hand, as for any such international protocol based on the recognition that the planet is a common heritage, significant resources and technology will need to be made available by industrialized countries to ease the adjustment in the developing world. Building partnerships and strengthening cooperation will be key to the successful implementation of various international protocols to preserve the global environment.

Quality

24. Quality is regarded by manufacturing firms as a strategic variable, along with price and customer service, and made into a specific marketing argument. It becomes a particular attribute of a manufactured good that, together with other features, determines the price of the product on a given market. This suggests the existence of a trade-off between price and quality: higher quality would command a higher price, or appeal to a different market. There is, in other words, no compelling requirement for developing countries to produce manufactures of the highest possible quality, although minimum standards t are required, particularly in the food and pharmaceutical industries, where low standards easily translate into health hazards. But there

are certainly solid economic reasons for them to move up the quality ladder in manufacturing output, as it expands market horizons and allows them to improve their terms of trade.

25. As in the case of environmental standards, the responses of firms in developing countries to the technical regulations and standards imposed in external markets can be erratic or systematic. The erratic reaction merely aims to ensure that particular products and underlying manufacturing processes satisfy international norms. It often causes firms in developing countries to suffer a temporary squeeze of their profit margins because their investment in the advanced equipment and higher skills needed to meet the new standards does not yield a return in the short term, but only generates dividends once the firm has successfully penetrated new markets. By contrast, a systematic approach involving the introduction of advanced quality management techniques enhances the ability of firms in developing countries to conform to ever-more stringent standards, and to achieve more rapid and environmentally sustainable productivity increases. In addition, it yields immediate social benefits, for instance in areas where low quality can turn into a health hazard.

26. The adoption of such a systematic stance towards international quality standards and market requirements by firms in developing countries is predicated upon their having access to appropriate facilities in the areas of standards, metrology, testing, conformity assessment, quality and productivity. This requires the developing countries concerned to establish and maintain significant institutional capacities in these fields, which in turn require considerable investments in both physical and human capital. These investments, which in many cases will only be possible with external support, could thus play a critical role in enabling developing countries to benefit from the opportunities of integration into global value chains offered by the process of globalization, rather than being marginalized by it.

Conclusion

27. This paper has attempted to show that it is possible, and indeed essential, to ensure that the globalization process and the concomitant development of international standards become an effective instrument for poverty reduction and for uplifting the economic and social standing of the most deprived sectors of society. It has also sought to show that industrial development can make an important contribution in this connection. In particular, this objective can be achieved through two distinct approaches: Firstly, through efforts to broaden the range of the international resource flows that enhance the value of domestic resources; and, secondly, through a systematic response to the increasing number of international norms in order to turn the challenges they pose into opportunities.

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MEDIUM-TERM PROGRAMME FRAMEWORK, 2002-2005

UNIDO involvement in major international conferences

Note by the Director-General

Summarizes UNIDO follow-up to LDC III and highlights inputs to two forthcoming conferences (Financing for Development and the World Summit for Sustainable Development).

Introduction

1. At its twenty-third session, the Board adopted decision IDB.23/Dec.10 on UNIDO involvement in LDC III (the Third United Conference on the Least Developed Countries). While focusing mainly on LDC III, the Board in the same decision also encouraged UNIDO to actively participate in its field of competence in the international development debate and to strengthen cooperation with other relevant organizations and agencies, and requested the Director-General to keep Member States apprised of progress achieved.

2. The present document therefore provides a brief summary of follow-up to LDC III and summarizes UNIDO's involvement in the preparations for two major conferences to be convened in 2002:

- International Conference for Financing for Development (FfD) (Monterrey, Mexico, 18-22 March 2002)
- World Summit on Sustainable Development (WSSD), also known as the Johannesburg Summit 2002 or Rio + 10 (Johannesburg, South Africa, 2-11 September 2002)

I. THIRD UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES
(Brussels, Belgium, 14-20 May 2001)

3. The Third United Nations Conference for Least Developed Countries (LDC III) convened under the sponsorship of the European Union, resulted inter alia in the "Brussels Declaration", including the adoption of the new Programme of Action for the LDCs for the decade 2001-2010. It stressed the importance of "an effective follow-up to the conference at the national, regional and global level" and asked the United Nations Secretary-General to ensure that the Conference be followed-up in an efficient and highly visible manner.

4. During the fifty-sixth General Assembly session, the Second Committee will discuss on follow-up to LDC III based on a report by the United Nations Secretary-General, including specific mechanisms that recognize the primary responsibility of LDCs themselves but also the need for a coherent and proactive

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United Nations system engagement to assist LDCs to implement the programme of action and mobilize increased attention and support by the international community in the common fight against extreme poverty.

5. UNIDO reported to the Board at its twenty-fourth session on the active role played in LDC III, in particular through its role as lead agency for the Thematic Session on Energy and the preparation of various "early deliverables" (IDB.24/16/Add.1), in close cooperation with its United Nations partners and various Member States—LDCs as well as European Union countries (such as Austria). The present document briefly describes the pro-active follow-up developed by UNIDO since that time and some lessons learned and suggestions for effective follow-up.

A. Specific follow-up

6. On the **energy** front, good progress has been made. Renewable energy projects promoting solar, wind and biomass in rural areas have been formulated for five countries (Bhutan, Ethiopia, Gambia, Ghana and Zambia) and will be submitted for GEF funding. One project (Zambia) has already been approved by GEF. The multifunctional platform programme is being developed in many villages of several LDCs (e.g. Burkina Faso, Guinea, Mali, Senegal) in close partnership with UNDP.

7. With a financial contribution by the Austrian Government, UNIDO and UNCTAD will jointly host a conference in Vienna in January 2002 on efficient hydrocarbon pricing and procurement and managing oil price volatility in LDCs. While the lead responsibility lies with UNCTAD, UNIDO will contribute on the subject of energy and competitiveness.

8. UNIDO has also been achieving promising results on another front that relates both to commitment 4 (Building **productive capacities** to make globalization work for LDCs) and commitment 5 (Enhancing the **role of trade in development**), through a large-scale programme entitled "Enabling LDCs to participate in international trade", which was formally presented in Brussels as a deliverable at the Thematic Session on International Trade, Commodities and Services.

9. Within the framework of this initiative, the European Union has funded a regional programme for the UEMOA countries in West Africa (8 countries, of which 7 are LDCs: Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal, Togo), with an estimated contribution of €12.5 million. Implementation has started and will cover a period of three years. A special feature of the programme is the substantive participation of ITC. Parallel to the UEMOA programme, UNIDO has started consultations with SADC countries in respect of a similar programme, in which WTO will be an active partner to deliver advisory services related to the Technical Barriers to Trade agreement. UNIDO has also received funding from Germany to prepare a full-fledged programme for trade facilitation for the non-UEMOA African LDCs from the ECOWAS region (Cape Verde, Gambia, Guinea, Liberia, Sierra Leone).

10. Through LDC III and the programme development undertaken in the context of this "deliverable", a strong momentum has been triggered in terms of reaching out and involving other agencies in the field of trade facilitation. In the context of the High-Level Committee on Programmes, which is chaired by the Director-General of UNIDO, the Organization has invited other agencies, such as UNCTAD, ITC, WHO, FAO, and WTO, to come on board, with a view to developing a truly inter-agency approach to trade facilitation.

11. One of the striking features of this effort is the inter-agency collaborative aspect. As mentioned above, ITC is now involved in the UEMOA/EU/UNIDO programme in West Africa, and WTO will be involved in the similar programme for SADC countries. UNIDO is also actively participating in the Multi-Agency Programme on Investment Promotion, together with UNCTAD, FIAS, MIGA, initiated in four LDC pilot countries (Cambodia, Mozambique, Uganda and United Republic of Tanzania).

B. Lessons learned

12. Beyond the priority given by UNIDO to follow up the new Programme of Action, through the LDC III process UNIDO has learned some specific lessons to share with Member States and other concerned agencies. First, the situation of many LDCs has become more difficult since Brussels and recent world events. There is a growing gap between the objectives of the Programme of Action and reality confronted by each LDC, and this problem has to be addressed collectively, in terms of strategic priorities, realistic targets and monitoring mechanisms. Second, the partnership approach followed to prepare for Brussels, with the LDCs themselves and also with the European Union, was very fruitful and should be actively pursued and expanded. Third, the country level is of paramount importance for effective follow-up. The United Nations will have to strengthen its coordination and action, in the framework of the Resident Coordinator System, of the national poverty strategies and common tools such as CCA/UNDAF. Fourth, one of the most valuable outcomes of LDC III was the recognition of the critical importance of "building productive capacities to make globalization work for LDCs" (Commitment 4 of the Programme of Action), and of an integrated approach to trade, where supply-side, industrial and trade dimensions are balanced and in synergy. This represents a most positive step in the international recognition of

UNIDO's relevance and mandate at the beginning of the twenty-first century.

13. Finally, as far as African LDCs are concerned, it is important to consider the New Partnership for Africa's Development (NEPAD) as the overarching global policy framework developed and owned by African leaders when implementing the Brussels Programme of Action.

14. In accordance with the Business Plan and the Brussels Programme of Action, UNIDO will strengthen its attention to and cooperation with LDCs in the medium term, 2002-2005, as already demonstrated by the active follow-up undertaken since May 2001. This will require a closer and effective partnership within the United Nations system and with Member States themselves, including LDCs, given the daunting challenges faced and the absolute necessity to promote approaches that will ensure that their populations can also share the fruits of the globalization process.

II. INTERNATIONAL CONFERENCE FOR FINANCING FOR DEVELOPMENT
(Monterrey, Mexico, 18-22 March 2002)

15. Extensive preparations for FfD have taken place over the last two years, including regional consultations with Member States as well as with the private sector and non-governmental organizations. However, the first comprehensive overview of substantive coverage of the Conference was made available through the report of the United Nations Secretary-General to the (second) Preparatory Committee for the Conference.

16. In response, UNIDO participated in the second meeting of the Preparatory Committee in February 2001, and presented a short statement underlining the importance of strengthening productive capacities in developing countries, the issues involved in accessing international markets, focusing on the quality and conformity assessment aspects, and foreign direct investment—preferably of the enterprise-to-enterprise type. UNIDO's focus on these activities, mainly through the integrated programmes was highlighted.

17. Following this meeting, and in preparation for the third meeting of the Preparatory Committee, UNIDO prepared two notes: "Enabling developing countries to participate in international trade" and "Venture capital for industrial development". These were submitted to the Conference secretariat and distributed in early October 2001 to all UNIDO Member State representatives in New York via e-mail, under cover of a letter from the Director of the UNIDO Office in New York.

18. It may be noted that these two initiatives were in the meantime also presented to LDC III, where both were included in the official database of the Conference.

19. Finally, UNIDO participated in the third meeting of the Preparatory Committee, which took place in New York from 15 to 19 October 2001. UNIDO made two statements in the informal debate under the chapters "Foreign direct investment and other private flows" and "Trade", referring to and introducing the contributions presented in the two notes. The letter mentioned in paragraph 3 above and the two notes were distributed to all delegations. The statements and notes are available on the UNIDO web site (www.unido.org/doc/451676.htmls).

20. UNIDO intends to continue its active participation in the preparatory process, including the third and last meeting of the Preparatory Committee in January 2002 and to promote the two contributions. However, the Secretariat is not waiting for the Conference to start implementing these initiatives, which are also being promoted to donors. Activities under both headings are well under way.

III. WORLD SUMMIT ON SUSTAINABLE DEVELOPMENT
(Johannesburg, South Africa, 2-11 September 2001)

A. Background: The WSSD process

21. The 10-year review of progress achieved in the implementation of the outcome of the United Nations Conference on Environment and Development (UNCED, Rio de Janeiro, 1992) will be organized at the summit level to reinvigorate the global commitment to sustainable development in September 2002.

22. According to General Assembly resolution 55/199 of 20 December 2000, the review should "focus on the identification of accomplishments and areas where further efforts are needed to implement Agenda 21 and other outcomes of the UNCED".

23. Preparations for WSSD are under way at the national, regional and global levels:

- At the **national** level, Governments are encouraged to prepare national reports on progress achieved and challenges encountered.
- At the **regional** level, round tables of eminent persons were conducted throughout 2001. Building, inter alia, on their findings, regional ministerial preparatory meetings were facilitated by the respective regional commissions.
- For preparations at the **global** level, the General Assembly decided that "the meetings of the tenth session of the Commission on Sustainable Development (CSD-10) shall be transformed into an open-ended preparatory committee". Its first and second substantive meetings (in January/

February and March 2002) will undertake a comprehensive review and assessment of progress achieved and agree on the text of a document containing the results of the review and assessment, as well as conclusions and recommendations for further action. Drawing on the agreed text of such a document, the third and final substantive preparatory session, to be held at the ministerial level in May 2002 in Indonesia, will prepare recommendations for further consideration and adoption at the 2002 Summit.

B. UNIDO involvement in preparatory activities

24. UNIDO is actively contributing to the preparations at all three levels. At the **national** level, UNIDO is working with a number of developing countries in the context of the elaboration of national reports with a view to properly capturing the specific contribution of industrialization to the sustainable development of the respective country.

25. UNIDO participated in all the **regional** preparatory meetings, disseminated statements tailored to the particular challenges of the regions, and networked with other stakeholders.

26. For the African region, UNIDO's engagement resulted in the inclusion of a distinct chapter on industrial development in the ministerial statement, deploring the narrow industrial base and the declining performance of the manufacturing sector over the last decade which results in the "de-industrialization" of Africa. The ministerial statement calls upon the international community to assist in enhancing the industrial productivity and competitiveness of African industries through combinations of appropriate financing and technological support services, to promote the development of micro, small and medium enterprises with special focus on agro-industry as provider of sustainable livelihood for rural communities and to support multilateral and regional organizations in their effort to promote industrial development in Africa.

27. At the **global** level, UNIDO intervened in the deliberations of the Second Committee under the relevant agenda item to brief delegations in New York on UNIDO's participation at the regional level and to express UNIDO's readiness to participate fully and constructively in the global preparatory process.

C. Looking ahead: UNIDO's planned contributions

28. As mandated by the General Assembly, the global preparatory process will start with a general stocktaking exercise of progress achieved since Rio and challenges encountered. Only once the stocktaking has been concluded and agreement on the assessment achieved, is the international community to move forward to determine future courses of action. UNIDO stands ready to participate actively in the stocktaking exercise.

29. While it cannot be desirable for UNIDO to get ahead of the intergovernmental assessment, it is at the same time necessary to build alliances and prepare initiatives in such a timely manner that they can come to fruition at the Johannesburg Summit. UNIDO is working with diligence in the areas of its comparative advantage, such as waste management, energy for sustainable development and technology transfer.

30. UNIDO has been leading the efforts of the United Nations system in the past in the area **of solid waste management**—a role recognized and endorsed by the Environment Management Group. UNIDO will seek to further develop these activities, in the context of WSSD, in cooperation with other relevant organizations and entities.

31. **Energy** is a key global issue on the international agenda for sustainable development. UNIDO will promote the inclusion of energy issues in the WSSD process in line with its own energy programme, which focuses on assisting countries in (a) formulating energy policies to reduce greenhouse gases and thereby mitigate climate change; (b) increasing energy efficiency on both the supply and demand side; and (c) promoting the application of renewable energies.

32. Together with financial resources and capacity-building, technology transfer has been clearly identified in Agenda 21 as one of the main means of implementation. Technological innovation will play a crucial role in any movement towards greater sustainability. UNIDO is working on concrete steps in the context of a broader initiative to help in assessing needs and facilitating cooperation for technology transfer.

33. Finally, it is clear that UNIDO's involvement in LDC III has impacted significantly on the evolving role of the Organization in WSSD, particularly in the energy sector. Similarly, it is anticipated that the achievements of the International Conference on Financing for Development will have a great bearing on the unfolding of the WSSD process. As discussed in chapter II above, UNIDO is participating actively in FfD preparations, and its contributions in the area of trade facilitation and venture capital for sustainable development have been recognized as valuable by stakeholders from developed and from developing countries.

IV. ACTION REQUIRED OF THE CONFERENCE

34. The Conference may wish to take note of the information provided in the present document.

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Ninth session
Vienna, 3-7 December 2001
Item 13 of the provisional agenda

THE REGIONAL DIMENSION

Fifteenth Conference of African Ministers of Industry

Note by the Director-General

Summarizes the outcome of the Fifteenth Conference of African Ministers of Industry.

Introduction

1. The Fifteenth Conference of African Ministers of Industry (CAMI) and its subsidiary organ, the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa met in Yaounde, Cameroon, from 25 to 30 October 2001. The main objective of CAMI XV and the Intergovernmental Experts' Meeting was to review the progress made towards the industrialization of the African countries since the last CAMI XIV.

2. In addition, the Conference identified new long-term strategies and mechanisms to promote industrialization to facilitate Africa's participation in the global economy and decided on the reorientation of CAMI.

3. In conjunction with CAMI XV, the third Private Sector Forum was also held from 22 to 24 October 2001. The objective was to promote dialogue between the public and private sector and to facilitate a working partnership between CAMI and various private sector organizations towards the expansion of industrial output in the region.

4. CAMI was attended by representatives of 29 African countries with the participation of 15 Ministers and Vice Ministers. In addition, four European countries attended as observers. A number of subregional and intergovernmental institutions participated in the meeting, including representatives of the private sector and civil society organizations.

5. A new Bureau of the Conference, composed of the following countries was elected:

President	Cameroon (Central Africa)
First Vice-President	South Africa (Southern Africa)
Second Vice-President	Morocco (Northern Africa)
Third Vice-President	Madagascar (East Africa and Indian Ocean)
Rapporteur	Nigeria (West Africa)

6. The Ministers of Industry of Côte d'Ivoire and Senegal were designated members of the Bureau in their respective capacities as Chairperson of the Steering Committee of the Alliance and outgoing President of CAMI in order to provide continuity.

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I. MAIN CONCLUSIONS

7. The Conference noted the six papers presented:

- Strategies and Mechanisms for the Industrial Development of Africa (UNIDO);
- Sustainability of CAMI (UNIDO);
- Progress report on the Alliance for Africa's Industrialization (UNIDO);
- Opportunities for and challenges of exploiting information and communication technology and e-commerce (ECA);
- Emerging issues in private sector development: Enhancing the competitiveness of SMEs (ECA);
- Strengthening regional integration in Africa (OAU).

8. After reviewing the discussions of each of the above papers, the Conference endorsed the pertinent recommendations and made the following additional comments:

9. In discussing **strategies and mechanisms for the industrial development of Africa**, it was suggested that consideration be given to the establishment of an African Industrial Development Fund, including venture capital facilities, in order to address the financing needs of African enterprises.

10. The Ministers discussed the **sustainability of CAMI**, and welcomed the proposal of the UNIDO Director-General to have a subregional approach to CAMI activities. To this end, with the support of UNIDO, meetings of CAMI subregions would be organized to articulate common industrial policies and strategies for funds mobilization. They also underlined the crucial role of the Conference as a regional platform for industrial cooperation, dialogue and partnership among African countries.

11. The meeting unanimously insisted on the continuation of CAMI and requested the Joint Secretariat and the Bureau of CAMI XV to undertake consultations with other relevant bodies, e.g. the African Union, the New Partnership for African Development, the Patrons Group of the Alliance for Africa's Industrialization (AAI).

12. With regard to **opportunities for and challenges of exploiting information and communication technologies and e-commerce in Africa**, it was suggested that the feasibility of setting up an African industrial gateway be examined in order to promote technology diffusion, investment and sharing of best practices.

13. On **competitiveness of SMEs in Africa**, the important role of micro-enterprises in job creation and poverty alleviation was recognized.

14. On **strengthening regional integration in Africa**, the Conference urged the African countries to eliminate all forms of discrimination and technical barriers.

Resolutions

15. Three main resolutions were adopted by the Conference, the complete text of which is available upon request from the documents distribution counter:

Resolution 1 (XV)	Industrialization of Africa
Resolution 2 (XV)	Sustainability of CAMI AAI
Resolution 3 (XV)	New strategies and mechanisms for the industrial development of Africa.

Venue of CAMI XVI

16. The proposal of Madagascar to host CAMI XVI was unanimously accepted by the Conference. A suitable date will be submitted to a forthcoming Bureau meeting.

II. ACTION REQUIRED OF THE CONFERENCE

17. The Conference may wish to take note of the information provided in the present document.

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LISTS OF STATES INCLUDED IN ANNEX I TO THE CONSTITUTION OF UNIDO

Note by the Secretariat

1. Reference is made to the Lists of States included by the Depositary in Annex I to the Constitution of UNIDO, contained in document UNIDO/GC.1/3. According to Annex I to the Constitution, the Lists of States to be included by the Depositary (Secretary-General of the United Nations) in that Annex are the lists determined by the General Assembly of the United Nations for the purpose of section II, paragraph 4, of General Assembly resolution 2152 (XXI), as in effect on the date the Constitution entered into force, namely on 21 June 1985.

2. As of 3 December 2001, 169 States were Members of UNIDO. Of these, 167 are shown in the Lists of States to be included by the Depositary in Annex I to the Constitution (see overleaf). The following 2 States have become Members of UNIDO but are not yet included in any of those lists:

State	Date of accession
Tajikistan	9 June 1993
Turkmenistan	16 February 1995

Pursuant to paragraph 1 of Annex I to the Constitution, if a State not listed in any of those lists becomes a Member of UNIDO, the General Conference shall decide, after appropriate consultations, in which of those lists it is to be included. The matter was brought to the attention of the Conference at its ninth session for consideration.

3. The present note supersedes document IDB.24/23.

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A. States from List A of document UNIDO/GC.1/3

Afghanistan
Algeria
Angola
Bahrain
Bangladesh
Benin
Bhutan
Botswana
Burkina Faso
Burundi
Cambodia
Cameroon
Cape Verde
Central African Republic
Chad
China
Comoros
Congo
Côte d'Ivoire
Democratic People's Republic of Korea
Democratic Republic of the Congo
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Fiji
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Jordan
Kazakhstan
Kenya
Kuwait
Kyrgyzstan
Lao People's Democratic Republic
Lebanon
Lesotho
Liberia
Libyan Arab Jamahiriya
Madagascar
Malawi
Malaysia
Maldives
Mali
Mauritania
Mauritius
Mongolia
Morocco
Mozambique
Myanmar
Namibia
Nepal
Niger
Nigeria
Oman
Pakistan
Papua New Guinea
Philippines
Qatar
Republic of Korea
Rwanda
Sao Tome and Principe
Saudi Arabia
Senegal
Seychelles
Sierra Leone
Somalia
South Africa
Sri Lanka
Sudan
Swaziland
Syrian Arab Republic
Thailand
Togo
Tonga
Tunisia
Uganda
United Arab Emirates
United Republic of Tanzania
Uzbekistan
Vanuatu
Viet Nam
Yemen
Zambia
Zimbabwe

B. States from List B of document UNIDO/GC.1/3

Austria
Belgium
Cyprus
Denmark
Finland
France
Germany
Greece
Ireland
Italy
Japan
Luxembourg
Malta
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Turkey
United Kingdom of Great Britain and Northern Ireland

C. States from List C of document UNIDO/GC.1/3

Argentina
Bahamas
Barbados
Belize
Bolivia
Brazil
Chile
Colombia
Costa Rica
Cuba
Dominica
Dominican Republic
Ecuador
El Salvador
Grenada
Guatemala
Guyana
Haiti
Honduras
Jamaica
Mexico
Nicaragua
Panama
Paraguay
Peru
Saint Kitts and Nevis
Saint Lucia
Saint Vincent and the Grenadines
Suriname
Trinidad and Tobago
Uruguay
Venezuela

D. States from List D of document UNIDO/GC.1/3

Albania
Armenia
Azerbaijan
Belarus
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Georgia
Hungary
Lithuania
Poland
Republic of Moldova
Romania
Russian Federation
Slovakia
Slovenia
The former Yugoslav Republic of Macedonia
Ukraine
Yugoslavia

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REPORT OF THE MAIN COMMITTEE

Submitted by the Chairman of the Main Committee,
Mr. Claudio Moreno (Italy)

1. The Main Committee held two meetings during the period 4-6 December 2001. The present report reflects developments as of Thursday, 6 December 2001, 6 p.m. A third meeting of the Committee was announced for Friday, 7 December 2001, at 10 a.m.

2. The Committee elected the following Vice-Persons: Mr. J. Melaga (Cameroon), Mr. A. Zsigmond (Hungary), Mrs. O. Pellicer Silva (Mexico), Mr. U.W. Thein (Myanmar).

3. In accordance with the mandate given to it by the General Conference, the Committee considered agenda items 7 to 17 and 19. Draft decisions and resolutions on items 9, 10 (a) to 10 (e), 11, 12, 14, 15, 16 and 19 were considered.

4. Consensus was reached during the meeting on 4 December 2001 on nine draft decisions or resolutions under items 10 (b) to (e), 14 to 16, and 19. With the aim of achieving consensus, the following items were discussed informally:

Item 10 (a)—Scale of assessments of Member States (under the guidance of Vice-Chairman Mr. A. Zsigmond, Hungary)

Item 10 (f)—Appointment of an external auditor (under the guidance of Mr. P. Hosseini, President of the Industrial Development Board)

Item 11—Medium-term programme framework, 2002-2005 (under the guidance of Vice-Chairperson Mrs. Pellicer Silva).

5. At its meeting on 6 December 2001, the Chairpersons of the informal working groups on the scale of assessments and the medium-term programme framework, 2002-2005, reported on progress made, and the Committee agreed to continue both informal working groups with a view to achieving consensus.

6. Concerning item 10 (f), appointment of an external auditor, the Committee was informed that the three candidatures remained valid and that the matter would be referred to plenary with the expectation of voting.

7. The present report will be updated orally during the seventh plenary meeting, on 7 December 2001.

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